



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 22nd November 2016, at 6.00 p.m. in Lisburn Campus

1.	<p>Attendance and Apologies:</p> <p>Present: Ms C. Goodwin, Ms. K Fraser, Ms K. Scott, Mr A. Corbett, Mr E. Jackson, Professor A. Woodside, Mrs M. Shaw, Mr K. Webb, Mr D. Sagar</p> <p>In attendance: Mr T. Martin (Chief Finance Officer), Mrs C. Williamson (Secretary to Governing Body)</p> <p>Apologies: Mrs B. Larkin</p> <p>In the Chair: Mr E. Jackson</p> <p>The Chair welcomed members to the meeting and noted the apologies.</p>
2.	<p>Conflicts of Interest:</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>
3.	<p>Minutes of the meeting held on 14th September 2016:</p> <p>The Chair asked members to review the minutes from the previous meeting on 14th September 2016, they were accepted as a true and accurate record.</p> <p>Proposer: Christine Goodwin Secunder: Andrew Corbett</p>
4.	<p>Matters arising:</p> <p>There were no items to be taken.</p>
5.	<p>Correspondence:</p> <p>There were no items to be taken that are not considered elsewhere on the agenda.</p>
6.	<p>Chairman’s Business:</p>

	<p>The Chair advised the committee that he would like to address one matter that has been discussed at previous meetings and other committee meetings. The Chair asked the Chief Finance Officer that as we are aware of increasing pension costs if it would be possible to start forward planning. The CFO informed the committee that the forecasting carried out is based on a one year detailed plan and two years of assumptions and that the finance team will constantly update this framework as we move through the year. The committee were advised that the sector had successfully secured ring fenced funding from DfE the last three years to cover the increasing actual pension costs; that there is no immediate need to secure additional income to cover the actuarial cost on increasing NILGOSC pensions; but that discussions are ongoing with DfE to ensure this eventuality is being planned for.</p> <p>Action Point: The committee requested the CFO to provide a brief presentation on the known headline pressures and income development opportunities at the next meeting in January.</p>
<p>7.</p>	<p>Annual Report and Financial Statements for the year ended 31st July 2016</p> <p>The committee were asked to review and approve the Annual Report and Financial Statements for the year end 31st July 2016. The committee briefly discussed the reports and noted that it highlighted the very good achievements of everyone across the college and advised that they were content to approve and recommend to the Governing Body.</p> <p>Key Decision: The committee approved the Annual Report and Financial Statements for the year ended 31st July 2016</p> <p>Proposer: Ed Jackson</p> <p>Seconder: Christine Goodwin</p>
<p>8.</p>	<p>Management Accounts period 2</p> <p>The Chief Finance Officer provided members with an update on the Period 2 Management Accounts. The CFO asked the committee to note the slight format change due to the recommendations of the new Statement of Recommended Practice (SORP).</p> <p>The CFO advised the committee that both income and costs are down therefore giving a positive variance of £366k for the period against the original budget. The CFO provided an overview of some specific points:</p>

- The CFO informed the committee there are three elements to the forecast: 1) Normal operations 2) Previously unknown inescapable pressures 3) Previously unknown other exceptional items. The CFO explained that the full year forecast outlined a small surplus (£39k) from “normal operations”; that it included an inescapable pressure relating to increasing pension costs (£565k); and that it reflects an additional £1million exceptional investment received as part of DfE’s funding. The projected final outturn is therefore a surplus of £474k.
- The committee briefly discussed how any potential surplus is managed by the CMT and if there is a significant surplus this year how this will be spent. The CFO confirmed that the CMT have a Project list that is reviewed once the surplus is known and a decision can be made how best to utilise this. The committee were advised it won’t be until the new calendar year that the surplus can be estimated with any significant degree of confidence.
- Members of the committee enquired if Staff Costs are £280K below budget. The CFO explained to the committee that staff cost phasing was not uniform due to the phasing of college delivery and the nature of contracts with both full time and part time lecturers. This meant that although there is an underspend of approximately £280k over the first two months, the yearend position is currently forecast to be only slightly better than budget as academic staff are on annualised contracts and will more likely incur additional hours towards the end of the academic year. The Principal further explained that around August and September as there are no students in the college this amount will be low but as the year progresses for example in January when part time courses begin there will be much more spend and therefore will level out over the year.
- The CFO highlighted that there may well be an overspend in staffing in the last 6 months of the year (when compared to the first 6 months) because of the complexity of SERC’s delivery but that it is necessary to stay fluid in order to meet delivery targets while also “living within budget”. He stressed to the committee that as a Non-Departmental Public Body the overall aim is to meet budget rather than under (or over) spend and that this is what the CMT are focused on.
- Mr Sagar noted that it is fair that Heads of Schools sit under administration in staff costs and enquired if we could have a comparison from other colleges in how they break down staff costs. The CFO agreed to request a comparison from the other colleges but stressed that such benchmarking is not readily available and has proved difficult to obtain in any meaningful way in the past. He went on to outline an exercise currently being progressed by the Northern Ireland Finance Officers Network (NIFON) and DfE to agree comparative fixed/semi-fixed/variable expenditure data for the sector.

Action Point: It was agreed that on the suggestion of the GB Chair a short session on income raising activities would be useful for the GB meeting in February 2017

Action Point: The committee requested a comparison with other FE Colleges on the breakdown of staff costs.

<p>9.</p>	<p>PPP Contracts</p> <p>The CFO presented a paper to the committee detailing the PPP Contracts, he explained that there had been a request at the previous committee meeting to focus on a particular section of the management accounts at each meeting to ensure the committee has a sound understanding of all elements of the accounts. A brief discussion took place and the following points were noted:</p> <ul style="list-style-type: none"> • The CFO provided the committee with a detailed overview how the PPP contracts work and effect the balance sheet of the college, he advised how the charges are paid out and how they are presented in the accounts. The CFO provided the committee with a brief overview on how PFI assets are visible on a balance sheet; how Land & Property Services annually review assets each year; and how the PFI liability is reduced over time. • The committee briefly discussed if there are any risks associated with the contracts and enquired if other colleges are in the same position with these contracts. The CFO advised the committee that as an NDPB the college is essentially the delivery arm of DfE so they have an obligation to ensure the Colleges stay solvent. The committee noted that 4 other colleges have slightly different contracts but they are essentially in the same position. • The CFO advised the committee that the NIAO are content with SERC's approach to accounting for PPP and had specifically reviewed all college models a number of years ago to ensure consistency before approving the SERC model.
<p>10.</p>	<p>NDPB Budgeting and Forecasting Submission</p> <p>The CFO asked the committee to note the latest return was submitted on 26th October 2016 - the 'Forecast Expenditure' schedule is attached. It covers the period April 2016 – March 2017 and reflects:</p> <ol style="list-style-type: none"> 1. Actual performance as per SERC's 2015/16 (draft) Financial Statements for the four months from April to July 2016. 2. Actual performance as per SERC's Period 2 Management Accounts for the months August and September 2016. 3. Forecast performance as per SERC's 2016/17 Budget for the period October 2016 to March 2017. The return highlights a full year forecast of £38,465k for the April 2016 to March 2017 year. Although this forecast is £650k in total over the DfE allocated budget, the forecasted variances relate to the NILGOSC actuarial valuation of the pension charges and to the College's PPP contractual payments – both are

	<p>outside the control of the College. In addition, neither are considered part of the College's "Departmental Expenditure Limit" (DEL) and are therefore lower priority items. In terms of the DEL forecast, the College is within £106k or 0.29% of current target.</p> <p>The Chair enquired if the £1million funding received is included in this submission. The CFO pointed out that no DfE funding is specifically referenced in these returns as they are expenditure focused, but confirmed that the relevant expenditure was included. The CFO advised the committee that due to different time shifts DfE may ask the College to slow down on spending or perhaps speed up, since DfE Finance are focused on the colleges meeting budget as a group. Chris Andrews at DfE is currently reviewing how the financial planning process should fit better with NDPB status.</p>
<p>11.</p>	<p>Health Check Issue 4</p> <p>The CFO asked the committee to note the Health Check for information and confirmed there was no financial data contained in this issue.</p>
<p>12.</p>	<p>Capital Projects and Estates</p> <p>The Chief Finance Officer presented a written report to the committee and summarised the main contents of the report, being:</p> <ul style="list-style-type: none"> a) The PPP life cycle and maintenance reconciliation process is complete. When both contracts are considered, the result is a benefit to SERC of approx. £114,000 over the remaining 20 years of the contracts. b) All programmed recurrent funded Estates projects for the 2015/16 year have now been completed. The total value of this work was approx. £700,000 including VAT and fees. The majority of these were spend to save projects. The 2016/17 programme is continuing. c) Capital expenditure is progressing as agreed with both the Finance Unit and the Department (DfE). An additional £700,000 minor works funding has been confirmed by DfE and will be utilised within the required timeframe to end of March 2017. d) Utilities consumption and costs are lower for both the month (September) and the period to date (Aug 2016 – Sep 2016) when compared to the previous year. e) Sector wide agreement on utilisation parameters is well advanced. The work of the Area Planning Team continues with local business and community groups being engaged to ascertain educational needs.
<p>13.</p>	<p>Policies for Approval</p> <p>13.1 Fees Policy</p>

	<p>The CFO advised the committee that fees are reviewed annually and the recommendation for this year is that there is no increase and they remain at the same rate. The committee briefly discussed the different elements that make up fees and noted that HE fees have been standardised across the sector.</p> <p>Mr Sagar enquired if there was any way to simplify the structure and ensure that education is available to all especially those receiving benefits. The committee briefly debated this matter and concluded that due to the complexity of the benefits structure it may not be possible, the Principal advised that it needs to be tackled as part of the Programme for Government. The committee requested that this matter was passed to the Education committee for further discussion.</p> <div data-bbox="300 680 1385 992" style="border: 1px solid black; padding: 5px;"> <p>Action Point: The Chair confirmed he would speak to the Chair of the Education committee regarding the discussion on how to fund students on lower incomes and making education accessible to all</p> <p>Key Decision: The committee agreed they were content to recommend the Fees Policy 2017/18 for adoption</p> <p>Proposer: Kim Scott</p> <p>Seconder: Karen Fraser</p> </div> <p>13.2 SOP for Remuneration of Governors</p> <p>The committee noted the amendments made to the remuneration policy that highlights staff governors will be paid for their attendance in Time Off in Lieu or over time. The committee confirmed they were content to recommend the policy for approval.</p> <div data-bbox="300 1305 1385 1462" style="border: 1px solid black; padding: 5px;"> <p>Key Decision: The committee agreed to recommend the SOP for Remuneration of Governors to the Governing Body for approval.</p> <p>Proposer: Kim Scott</p> <p>Seconder: Karen Fraser</p> </div>
14.	<p>Update on Applications and Enrolments</p> <p>No change from the last meeting; nothing to report.</p>
15.	<p>Debt Report</p> <p>Members noted the debt position as at 30 September 2016 (Period 2).</p>
16.	<p>Bank Report:</p> <p>Members noted the bank position at 30 September 2016 (Period 2).</p>
17.	<p>Tender Awards</p>

	There were no items to be taken.
18.	<p>Verbal update on Collaboration Programme</p> <p>The committee were advised that the Workforce Excellence Group are providing a written update to the Education committee at their next meeting, the committee enquired if this should also be presented to the Governing Body.</p> <p>Action Point: The Chair will speak to the GB Chair regarding the update on the collaboration programme and how this is reported to the GB</p>
19.	<p>Systems Technology Services Project</p> <p>The CFO informed the committee he is currently sitting on the project board for the Systems Technology Services Project. He outlined a proposal to establish a VAT Cost Sharing Group for the sector in order to minimise VAT double-charges. Such a group would be operated by the six colleges as a special purpose vehicle with HMRC recognition as long as it meets certain criteria.</p> <p>Key Decision: The committee confirmed they were content to recommend the STS Project to the Governing Body for approval</p> <p>Proposer: Ed Jackson Seconder: Christine Goodwin</p>
20.	<p>Management Statement and Financial Memorandum between DfE and SERC</p> <p>The committee were asked to note the enclosed paper for information. The CFO informed the members there has been no change to this agreement since August 2015 but it is a requirement for the Accounting Officer to ensure the Governing Body members have reviewed it annually.</p>
21.	<p>Any other notified business</p> <p>No other business was discussed.</p>
19.	<p>Date of next meeting</p> <p>The date of the next meeting will be 30th January 2017, 6pm at the Lisburn Campus.</p> <p>The meeting ended at 8:07 p.m.</p>

Attendees	Time Arrived	Time Left	Duration	Entitlement to Payment
				Y/N
Ed Jackson	6.00PM	8.07pm	2.07	N
Christine Goodwin	6:00pm	8:07pm	2:07	Y
Marie Shaw	6:00pm	8:07pm	2:07	Y

Andrew Corbett	6:00pm	8:07pm	2:07	N
Kim Scott	6.00pm	8.07pm	2.07	Y
Karen Fraser	6.00pm	8.07pm	2.07	Y
Alan Woodside	6.15pm	8.07pm	1.52	Y
Deep Sagar	6:00pm	8:07pm	2:07	N/A
Ken Webb	6:00pm	8:07pm	2:07	N