

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 11 April 2016, at 6.00 p.m. in The SPACE Campus.

1.	<p>Attendance and Apologies:</p> <p>Present: Mrs B. Larkin, Ms C. Goodwin, Mr J. Mackell, Mr J. Taylor</p> <p>In attendance: Mr T. Martin (Chief Finance Officer), Mr D. McCullough (Minutes)</p> <p>Apologies: Mr E. Jackson, Mr K. Webb, Ms D. Smyth (Secretary to Governing Body)</p> <p>In the Chair: Mrs B. Larkin</p> <p>The Chair welcomed members to the meeting and made a special reference to Mr Mackell who joined the Committee for the first time.</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 10th February 2016:</p> <p>Ms Goodwin proposed the adoption of the minutes as a true record and the Chair seconded.</p>
4.	<p>Matters arising:</p> <p><u>Update on Remuneration of GB</u></p> <p>The Chief Finance Officer updated the Committee on the detailed response sent to DEL regarding the Remuneration of Governing Chairs and Governors, as discussed at the last Committee meeting. Mr Martin provided members with an overview of the response and commented that the majority of queries were at a conclusion with the exception of payments to staff governors, which will be considered further; with a view to reaching a solution, at the next sector Finance Officer's meeting.</p> <p>The Chair thanked Mr Martin for his update and asked for it to be presented in a summary paper at the next Governing body meeting.</p> <p><u>Other matters arising</u></p> <p>The Chair asked members for any other matters arising.</p> <p>Ms Goodwin asked the Chief Finance Officer if there was an update on the potential cap on VES payments. Mr Martin informed members that there had been no further update on this subject.</p> <p>Mr Martin provided a verbal update on the 2016/17 VES and said the scheme would be published on 13 April 2016. Ms Goodwin enquired as to the scale of the 2016/17 VES for SERC. Mr Martin said it would likely be a minimal number of exits in comparison to the 2015/16 VES.</p>

	<p>Ms Goodwin asked the Chief Finance Officer if the TFS backdated travel payments, as discussed at the February committee meeting, were paid to the College. Mr Martin confirmed that payment for travel up to the end of March had been received by the College and the forecast payment from April to July was reflected in the full year forecast.</p>
5.	<p>Correspondence:</p> <p>5.1 College Accounts Circular – Circular FE 02/16</p> <p>The Chair summarised the contents of the circular to members and highlighted the usefulness of the document in relation to benchmarking the College against the sector.</p> <p>The Chief Finance Officer said the Circular was a publication from the Department that summarised information from the College accounts for the academic / financial year 2014/15 and the preceding seven years. Mr Martin highlighted a number of points within the document, including the overall sector outturn, liquidity, and cash balances.</p> <p>Ms Goodwin asked the Chief Finance Officer if the College was holding too much cash. Mr Martin said SERC's liquidity, in terms of cash days, was stable and the lowest in the sector with the sector average cash days of 72 days being increased due to a number of Colleges holding significant cash reserves, much of which will be utilised in order to fund capital projects.</p> <p>There were no other questions.</p>
6.	<p>Chairman's Business:</p> <p>There were no items to be taken.</p>
7.	<p>Budget 2016/2017 (Verbal Update)</p> <p>The Chief Finance Officer provided members with a verbal update on the Budget for 2016/17.</p> <p>Mr Martin informed members of the annual budget cycle and highlighted key steps and timetable for creation of a draft budget. Mr Martin said in previous years the College presented a full budget to the Committee in June of each year for recommendation for approval, but that in the previous two years due to the uncertainty of funding; cuts in public sector budgeting; and DEL not confirming final allocation, a headline budget was presented in June with the final budget presented to the September committee for recommendation for approval, which was a process approved by DEL. Mr Martin added that whilst this situation was not ideal, it provided the opportunity to improve financial planning as the budget was finalised when the curriculum delivery was known and agreed.</p> <p>Mr Martin said DEL have recognised the financial planning benefits of this process and are currently considering writing to Governing Bodies to suggest that a baseline budget should be submitted in June with a revalidated version being submitted, as a final budget, in September.</p> <p>Mr Martin updated the Committee on the confirmation received from DEL regarding the FLU element of funding for 2016/17 being £23.78m, which compares to £23.73m in 2015/16.</p> <p>Ms Goodwin asked the Chief Finance Officer about when the Committee would consider the college budget for 2016/17. Mr Martin said it would be at the June committee meeting. He went on to explain that in previous years the Chair of F&GP would often meet with the CFO in advance of the Committee date to review the whole college budget in detail. Ms Goodwin suggested that the June committee meeting be expanded or the forgoing of other agenda items to provide the time for review and discussion. The Chair noted this suggestion.</p>

	<p>Ms Goodwin asked the Chief Finance Officer if the budget was also presented to the Education Committee. Mr Martin said that although the budget itself was not presented to the Education Committee, the College Curriculum Plan was. He went on to highlight that since the curriculum plan must fit within the budget, the Education Committee was therefore effectively taking account of the financial plan when considering the Curriculum plan for the coming year.</p>
<p>8.</p>	<p>Management Accounts Period 7</p> <p>The Chief Finance Officer provided members with an update on the Period 7 management accounts.</p> <p>Mr Martin said The College has recorded an historic cost surplus of £1,859k for the first 7 months of the year compared with a budgeted surplus of £1,189k, giving a positive variance of £670k for the period. Mr Martin then explained a number of specific points:</p> <ul style="list-style-type: none"> ▪ Total Grant-in-aid & Income of £27,237k was £429k 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 seven 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 £1,119k or 4.4% due to a £699k underspend in staffing and a £422k 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. <p>Mr Martin said the forecasted outcome at this stage of the year is for a historic cost surplus of £1,037k, which is a significant improvement on the original break-even budget and explained that it should be considered in two parts: the operational result and the “bottom-line” historic cost surplus or deficit.</p> <p>Mr Martin said in terms of operational outturn, the improved result is a small surplus of £37k and reflects:</p> <ul style="list-style-type: none"> ▪ Lower levels of Employer Engagement activity and income; ▪ Lower Training for Success, Steps to Work and Steps to Success activity and income; ▪ An increase in the income anticipated under the Traineeship and Higher Level Apprenticeship pilots; ▪ A better-than-anticipated impact of the VES; and ▪ A lower “Non-Current Asset Charge” than originally planned <p>Mr Martin 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. Mr Martin said the additional funds will be received in Period 8 and are designed to support working capital requirements in relation to the College’s contractual commitments under PPP and as such it is imperative that they are not utilised during the year. Mr Martin said the College must target a £1m historic cost surplus in order to fund its contractual cash-flow requirements.</p> <p>The Chief Finance Officer noted the Reconciliation from Original Budget to Period 7 Full Year Forecast (Page 5 and 6 of the Management Accounts Commentary).</p>

	<p>Members discussed some elements of the management accounts.</p> <p>Ms Goodwin asked if the College had a lifecycle replacement fund. Mr Martin said that lifecycle costs were covered within the annual revenue budget. Mr Martin added that all capital projects in the College required annual DEL budget cover and funding from the Department.</p> <p>Mrs Larkin asked the Chief Finance Officer for some clarity on the Non-Current Asset Charge. Mr Martin explained the three elements of the charge, being depreciation, release of deferred grant and historic cost adjustment (otherwise known as release from revaluation reserve).</p> <p>Mrs Larkin enquired about the Consultancy Charge and the process of approval for payment and whether the Governing Body had been able to negotiate a discount. Mr Martin said the amount invoiced was paid on the written approval from the Governing Body.</p> <p>Mr Mackell asked the Chief Finance Officer for detail on the Hardship Fund. Mr Martin said the College acted as an agent for paying the Hardship Fund to students who applied and met the conditions of the DEL Circular. Mr Martin updated members on the process of application, the administration process and the number of students that had applied in 2016/17 and their average amount of funding.</p> <p>The Chair thanked the Chief Finance Officer for his report on the Period 7 management accounts.</p>
<p>9.</p>	<p>Financial Framework Analysis</p> <p>The Chief Finance Officer reported that the Financial Framework was provided to the Committee as a medium term report to supply a higher level summary of the management accounts, incorporating the prior year actual result, the current full year forecast plus a high-level forecast for the next two financial years.</p> <p>Mr Martin said the format of the Financial Framework was at the request of Mr E Jackson (Chair) and 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.</p> <p>Mrs Larkin asked for Mr Martin to discuss with Mr Jackson.</p> <p>The members of the Committee noted the contents of the report.</p>
<p>10.</p>	<p>NDPB Budgeting and Forecasting Submission</p> <p>The Chief Finance Officer reported that the latest return was submitted on 18 March 2016 and reflected actual performance for April 2015 to July 2015 as per the College's financial statements, actual performance for August to February from Period 7 Management Accounts and forecast performance for March 2016. Mr Martin highlighted to members the different time horizon of this return as 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 DEL year.</p> <p>The members of the Committee noted the contents of the report.</p>
<p>11.</p>	<p>Capital Projects and Estates</p> <p>The Chair introduced the Capital Projects and Estates Report and thanked the Chief Finance Officer for updating the format of the report.</p> <p>Mr Martin summarised the main contents of the report, being:</p> <p>a) PPP Bench Marking and a review of service provision has been completed with a reduction in both Lisburn and East Down Unitary Charges confirmed. Annual savings are estimated at approximately £100k across the two contracts.</p>

	<p>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. Any additional available funds will be directed to invest-to-save projects.</p> <p>c) Capital expenditure is progressing as agreed with both the Finance Unit and the Department (DEL). Maximisation of available capital funds has been achieved as agreed.</p> <p>d) Utilities consumption and costs are lower for both the period to date and for the month of February when compared to previous year. As previously mentioned, such savings will be expended on invest to save projects such as further insulation in SERC's non-PPP estate.</p> <p>e) A further review of room utilisation is to progress with the formation of a cross functional project team. This team will monitor utilisation and will develop action plans, where appropriate, to maximise efficiency.</p> <p>Ms Goodwin asked if the average consumption figures could be included within the report, for example cost per kWh. Mr Martin agreed to include the average consumption figures within the report.</p> <p>Ms Goodwin asked the Chief Finance Officer if the PPP providers were proactive in driving efficiencies within the contract. Mr Martin said a representative of the PPP provider was a member of the College's PPP Project Team, which was tasked with finding operational savings and ensuring efficiency in the delivery of the contract.</p> <p>Mr Taylor enquired as to the process of approval for expending capital funds. Mr Martin provided members with an overview of the capital process, including economic appraisal, approval process and prioritisation and procurement processes.</p> <p>Mrs Larkin thanked Mr Martin for the report.</p>
<p>12</p>	<p>DEL Health Check Issue 1</p> <p>Members noted the contents of the DEL Health Check and the Chief Finance Officer brought the relevant points to the attention of the Committee.</p> <p>Mr Martin explained that this Health Check looked at data from November 2015 and as such the information presented to this Committee on the financial position of the College and the update on applications and enrolments provided more timely and data.</p>
<p>13.</p>	<p>Policies for Approval</p> <p>The Chief Finance Officer provided members with a contextual overview of the annual process of review for Finance Policies and Standard Operating Procedures. Mr Martin discussed the three outcomes of the review process: no changes, minor changes, and significant changes with the latter being brought to this committee for review and recommendation for approval.</p> <p>Mr Martin highlighted the new Management Statement and Financial Memorandum (MS / FM) between DEL and the FE Colleges and the impact on the Policies and SOPs.</p> <p>Two policies were presented to the Committee:</p> <p><u>Budget Policy</u></p> <p>Mr Martin informed members of the changes to the Budget Policy that aligned it with the MS/FM.</p> <p>Ms Goodwin proposed the recommendation for approval of the Budget Policy to the Governing Body and Mr Mackell seconded.</p> <p><u>Financial Governance Policy</u></p>

	<p>The Chief Finance Officer updated members on the changes to this Policy, which was formerly called the Financial Regulations Policy. Mr Martin highlighted the main changes as follows:</p> <ul style="list-style-type: none"> ▪ Statement recognising SERC is classified as a Non-Departmental Public Body. ▪ The role of Internal and External Audit as per the Audit Code for the Governing Bodies of FE Colleges (Aug 2015). ▪ Responsibilities of the Accounting Officer in relation to Managing Public Money Northern Ireland. ▪ Requirement to maintain cash balances at the minimum level consistent with the efficient operation of the College, which is approximately a limit of 10% of prior year income. ▪ Recognition of the College’s procurement activity being carried out by means of a Local Operating Agreement with CPD. ▪ Provision that the College shall ensure that the creation of any additional posts does not incur forward commitments which will exceed its ability to pay for them. <p>Members discussed the contents of the policy.</p> <p>Mr Mackell asked the Chief Finance Officer about the College’s recognition, from HMRC, of its charitable status for tax purposes. Mr Martin informed members that the College’s recognition as a charity for tax purposes, from HMRC, remains until the outcome of an application with the Charities Commission NI is finalised.</p> <p>Mr Mackell asked for clarity on the definition of “associates” in regards to gifts, benefactions and donations. Mr Martin provided clarity on associates as acting on behalf of or representing the College.</p> <p>The Chief Finance Officer provided a response to Mr Taylor’s query on the use of petty cash.</p> <p>Mrs Larkin asked the Chief Finance Officer about the availability of the SERC Learning Engine for Governors. Mr Martin noted this request.</p> <p>The committee members noted a number of typing errors and Mr Martin confirmed such errors would be corrected.</p> <p>Mrs Larkin proposed the recommendation for approval of the Financial Governance Policy to the Governing Body and Ms Goodwin seconded.</p>
<p>14.</p>	<p>Update on Applications and Enrolments</p> <p>The Chief Finance Officer presented the Update on Applications and Enrolments paper for members’ consideration. Mr Martin highlighted the relevant points for the members’ attention.</p> <p>Members discussed the rate of attrition and the likelihood of more students withdrawing at this stage in the year. Mr Taylor provided a student’s perspective on likely withdrawals.</p> <p>Ms Goodwin asked if the Education Committee tracks rationales for exits. The members agreed to raise this issue at the next Governing Body.</p> <p>The members noted the contents of the report.</p>
<p>15.</p>	<p>Debt Report</p> <p>Members noted the debt position as at 29 February 2016 (Period 7).</p>
<p>16.</p>	<p>Bank Report:</p> <p>Members noted the bank position at 29 February 2016 (Period 7).</p> <p>Mr Martin explained to members, based on the Chair’s question, the reasons for cash peaking from February to May each year.</p>

<p>17. Procurement:</p>	<p>The Chief Finance Officer presented a short paper outlining two contract award recommendations for capital works exceeding £100k in value. He explained that both schemes had been agreed with DEL; are being 100% funded by DEL FE Estates capital allocation; have been approved by SERC's CMT; and have previously been reported to F&GP.</p> <p>He went on to highlight that both tender awards had been approved by SERC's CMT and that, while the College's Accounting Officer has delegated authority to approve expenditure of up to £500k, SERC's delegated authority procedures require any expenditure over £100k to be reported to Governing Body for ratification.</p> <p>Members discussed this methodology, with some expressing concern around such a ratification process. It was agreed that the issue would be raised at the full Governing Body meeting and that potential alternative solutions to be discussed would involve either non-commencement of such awards pending Governing Body approval; or retrospective presentation of such awards to Governing Body "for information" rather than "for ratification."</p>
<p>18. Charity Commission</p>	<p>The Chief Finance Officer informed members that SERC's application to the Charity Commission NI, being the pilot for the NI FE sector, has been formally withdrawn for the moment.</p> <p>Mr Martin said the withdrawal was the result of discussions with DEL and DSD on the unintended consequences of any loss of exemption to the NI FE sector. The withdrawal is temporary and is designed to facilitate some relevant governance adjustments. Once these amendments are completed, the application will be renewed.</p> <p>The members noted the contents of the update.</p>
<p>19. Update on Collaboration Programme</p>	<p>In the absence of the Principal, the Chief Finance Officer provided members with an update on the Collaboration Programme.</p> <p>Mr Martin informed members of the main focus of work, being the System and Technology Service Project, and the progress of the different strands of work.</p> <p>Ms Goodwin asked if the Governing Body was now considered a key stakeholder and if it would receive formal updates. Mr Marin said that the Collaboration Manager now provides an update report for a number of audiences, including the Governing Bodies of all Colleges.</p> <p>The members of the Committee noted the contents of the report.</p>
<p>20. Any other notified business</p>	<p>The Chair referred members to the Financial Governance Policy and noted the requirement for the Governing Body to fulfil the responsibilities detailed in the Code of Governance, Instrument of Government and the Articles of Government.</p> <p>Mrs Larkin discussed with members the Governors' need to read and understand the requirements of such documents on a potential annual basis.</p>

	The members agreed for this suggestion to be raised at the next Governing Body meeting and with the Chair's agreement for it to be added to the Governing Body meeting agenda.
19.	Date of next meeting The date of the next meeting will be 20 th June 2016 at 6pm, in the Lisburn Campus. The meeting ended at 8:30 p.m.

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(Chairman)

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(Date)

Attendees	Time Arrived	Time Left	Duration	Entitlement to Payment Y/N
Barbara Larkin	6:00pm	8:30pm	2:30	Y
Jack Taylor	6:10pm	8:30pm	2:20	Y
Christine Goodwin	6:00pm	8:30pm	2:30	Y
John Mackell	6:00pm	8:30pm	2:30	Y

Signed: _____

Date: _____

Chairman of Governing Body