

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 Monday 14th September 2015, at 6.00 p.m. in the Bangor Campus.

1.	<p>Attendance and Apologies:</p> <p>Present: Mr E. Jackson, Dr R. Davison, Mr K. Webb, Mrs B. Larkin (from 6.20pm), Mr M. Simcock, Mr J. Taylor.</p> <p>In attendance: Mr T. Keating (Director of Corporate and Economic Development), Mr T. Martin (Head of Finance), Mr D. McCullough (Deputy Head of Finance, Minutes)</p> <p>Apologies: Mr M. Graham.</p> <p>In the Chair: Mr E. Jackson.</p> <p>The Chair welcomed members to the meeting.</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 15 June 2015:</p> <p>Mr Jackson proposed the adoption of the minutes as a true record and Mr Webb seconded.</p>
4.	<p>Matters arising:</p> <p>There were no matters arising not elsewhere on the agenda.</p>
5.	<p>Correspondence:</p> <p><u>5.1 Budget 2015-16 – In-year budget cut planning</u></p> <p>The content of the correspondence, from Mr Webb to Dr McIvor (DEL), was noted regarding the development of a contingency plan to deliver a further £3m of in-year cuts. Dr Robson asked if DEL had responded to the letter. Mr Webb confirmed there had been no response from DEL.</p> <p><u>5.2 Accounts Direction</u></p> <p>The Head of Finance confirmed that the Accounts Direction for financial year ended 31 July 2015 issued on 29 July 2015 had no substantial changes. The Head of Finance briefly outlined the main changes and brought the Committee’s attention to the guidance provided in relation to the Northern Ireland Further Education Sector Voluntary Exit Scheme (NIFE VES). The Chair noted the change in disclosure for Assets under Construction and asked if the College’s accounts include the disclosure. The Head of Finance confirmed the disclosure in the College accounts.</p> <p><u>5.3 2015/16 Returns Timetable</u></p> <p>The content of the timetable was noted by members. The Head of Finance confirmed that there were no major changes from the prior year.</p>

	<p>Dr Davison explained the Department (DEL) corresponded with the Chairs of Governing Bodies concerning a review of the Health Check document. Dr Davison explained that this provided an opportunity to make a response on the type of returns made to the Department by the College. Dr Davison asked the Head of Finance if he had any views on the Health Check document. Mr Martin said he was a supporter of the Health Check document, but the College was now returning slightly different extracts of the same data to different sections within DEL. Mr Webb explained that the management team was supportive of the Health Check document, but recognised that there was a lot of data included within the document and that it can be difficult to understand. Dr Davison asked Mr Martin to draft a response for DEL that could be reviewed at the Governing Body meeting on 24th September for submission by 30th September.</p>
<p>6.</p>	<p>Chairman's Business:</p> <p><u>Annual Review of Committee Terms of Reference</u></p> <p>There were no comments on the Terms of Reference.</p> <p>Mr Webb raised the major collaboration project within the sector and the need for its work to be reported to the Governing Body. Mr Webb explained the project as encompassing all Committees.</p> <p>Dr Davison recognised the need for the project's work to be reported to the Governing Body through one lead committee. Dr Davison said the matter would be discussed at the next meeting of the Governing Body (24th September 2015).</p> <p><u>Vice-Chair of Finance & General Purposes Committee</u></p> <p>Dr Robson explained the possible appointment of a Vice-Chair to sub-committees of the Governing Body had been raised by one of the Committee Chairs. He said it was a matter for each Committee Chair to decide if a Vice-Chair was required.</p> <p>The Chair said he would e-mail members of the Finance & General Purposes Committee to gauge interest in appointment of a Vice-Chair and ask for Expressions of Interest.</p> <p>Mrs Larkin asked if the position had been historic within the Finance & General Purposes Committee. The Chair confirmed it was not.</p>
<p>7.</p>	<p><u>Management Accounts Period 12</u></p> <p>The Head of Finance reported that the College had recorded a historic cost surplus of £1,279k for the year compared with a break-even budget target (Item 8 draft financial statement shows adjusted figure). A primary factor in achieving this result was the £1m working capital investment provided by the Department (DEL). The additional funds were designed to support working capital requirements with the Head of Finance explaining that it was imperative that they were not used throughout the year. The positive variance against the original budget was reported as £273k after adjusting for the working capital investment.</p> <p>The Head of Finance highlighted year-end cash reserves of £3.7m, which at 7.9% of past year turnover is within the DEL target of cash reserves of between 5-10%.</p> <p>Income of £48,050k was £760k higher than budget (including the £1m), whilst excluding the working capital investment it was £240k below original budget. The Head of Finance reported that Employer Engagement activity in particular remained below the original targets throughout the year: full year income associated with these activities was approximately £940k, some £700k below the original target. The underperformance was, however, mitigated by higher than planned income from both the Training for Success contracts (£366k higher than budget) and the Steps to Work programme (£196k higher than budget).</p>

The Head of Finance reported that numerous expenditure control drives throughout the College were very successful in 2014/15 and had a direct impact on actual spend both in terms of staff and non-staff costs.

Staff costs were £455k less than full year budget. The Head of Finance explained a number of contributing factors, including continuing to build on impact of 2013/14 voluntary redundancy scheme by continuing to downsize through natural wastage, maximisation of the utilisation of core staff in curriculum delivery, delivery hours associated with employer engagement activity were less than originally planned and mix of staff used in the delivery of employer engaged varied from the original planning.

The Head of Finance reported that non-staff costs were also managed tightly with full year spend being £766k less than budget. The Head of Finance explained that the lower volume of activity demanded less spend in terms of learning materials and examination costs, whilst there were greater efficiencies in regards to utilities use, reduction in estate maintenance where possible, reduction in advertising spend, reduction in staff training and improved credit control with the resultant fall in the need for bad debt provision.

In relation to reduced Employer Engagement Income, the Chair asked the Director of Corporate and Economic Development if there was income in the pipeline for 2015/16. The Director of Corporate and Economic Developed reported Employer Engagement income as being on target for 2015/6 with income in the pipeline.

The Chair asked the Head of Finance to explain why savings in areas such as Staff Training were not sustainable going forward.

The Head of Finance indicated that in order to meet mandatory and development training needs there would be a future requirement to expend on staff training.

Dr Davison commented on the positive year end position by making three main observations:

1. Positive overall outcome;
2. Improvement on liquidity position;
3. Pressures on cost with efficiency on delivery.

Dr Davison asked the Head of Finance for the prognosis on the next 12 months. The Head of Finance indicated that the next 12 months would be financially pressurised with pressure extending beyond the next 12 months.

Dr Davison commented on the stubbornness of staff costs in the context of past redundancies and the current NI FE Voluntary Exit Scheme. The Head of Finance agreed and highlighted the impact of staff pay awards on the cost base.

Mr Webb discussed the impact of the new FE strategy and a potential new funding mechanism on the College budget. Mr Webb further highlighted that the College continues to bear down on all costs and continually seeks to introduce systems and processes that create efficiencies. Mr Webb used the Online Enrolment process as an example of efficiencies within the College.

Mr Simcock concurred with Mr Webb and explained how timetables were already settled due to online enrolment, which removes the element of uncertainty for a new student into the College.

The Chair congratulated the management team on delivering an excellent result for the year end 31 July 2015.

<p>8.</p>	<p><u>Draft Financial Statements for the year ended 31 July 2015</u></p> <p>The Head of Finance circulated the full set of draft financial statements ending 31st July 2015, including the annual report and accounting notes.</p> <p>The Head of Finance explained the process for accounts preparation, submission to the Department and the external audit. The Head of Finance informed members that the accounts would be brought back to the November meeting.</p> <p>The Head of Finance explained the historic cost surplus as per draft management accounts was slightly different to the draft financial statements due to timing issue adjustments since the Management accounts were prepared.</p>
<p>9.</p>	<p><u>Budget 2015/16</u></p> <p>The Head of Finance presented the 2015-16 budget for approval which shows a break-even result.</p> <p>Mr Martin explained the budget setting process that resulted in the final version of the budget being presented to this September meeting of the F&GP.</p> <p>The Head of Finance discussed the report that accompanied the 15/16 budget document.</p> <p>The Head of Finance said the budget supports the College's goal of financial viability and commitment to live within its means.</p> <p>The Head of Finance reported that the College anticipates a number of funding/income changes in 2015/16 when compared to 2014/15, totalling approximately £1.2m reduction. The Head of Finance said that this headline figure can be misleading as it includes recognition of both the additional working capital investment of 2014/15 and the additional deferred grant of 2015/16. The Head of Finance said the more meaningful interpretation is to consider operational income as having reduced by £800k.</p> <p>The Head of Finance then described the inescapable pressure on expenditure in 15/16 of approximately £1.9m. The increase was explained as being attributable to £550k in employer's contribution to the NITPS, £270k increase in salaries resulting from 15/16 pay ward, £175k increase in employer's national insurance contributions as a result of the end of the national insurance rebate, £300k incremental running costs of the opening of the SPACE facility, and £600k additional depreciation charges from capital investment.</p> <p>The Head of Finance reported that as a result of the combined impact of reductions in funding and the numerous inescapable pressures, the College is facing a funding "shortfall" or "gap of approximately £2.1m in developing its budget for 2015/16.</p> <p>The Head of Finance explained how the College carried out a line-by-line review of its expenditure forecasts and plans to respond to this gap with actions which will reduce its staff costs by £250k and its non-staff costs by £534k. These actions/interventions will have a cumulative positive impact of £784k. The College has a number of planned new activities and other incremental costs that will create a further upward pressure of £0.5m.</p> <p>The Head of Finance reported that the College's position after recognising the impact of the above is an anticipated deficit of £1.8m. The Head of Finance stated the College proposes a pay-bill reduction exercise in the form of the NI FE Voluntary Exit Scheme in order to remove this deficit and deliver a break-even result.</p> <p>The Head of Finance said that although there are a number of significant uncertainties, the proposed budget provides a foundational plan with which to deliver a break-even result and ensure SERC continues to live within its means.</p>

The Chair asked the Head of Finance to explain the movement in staff costs, as the 15/16 budget reports a £400k decrease from 14/15 actuals after the execution of the Voluntary Exit Scheme.

The Head of Finance explained by detailing a reconciliation from 14/15 staff costs to the budget staff costs of 15/16 as follows:

	£m
14/15 Staff Costs	26.6
Pension Cost Increase	0.6
Pay Award	0.3
NI Contribution	0.2
Subtotal	27.7
Staff Cost Savings	(0.3)
Operational Delivery Staff Costs	0.5
Sub-total – 15/16 Cost before VES	27.9
VES	(1.8)
15/16 Budget Staff Costs	26.1

Dr Davison asked the Head of Finance to provide such a reconciliation to the Governors at the next Governing Body meeting in order to assist in their understanding of the stubbornness of staff costs.

The Chair highlighted the increase in the contributions to the Teachers' Pension Scheme (from 13.4% to 17.7%) and asked if the NITPS operated on the same basis as NILGOSC.

The Head of Finance explained that the NITPS is an unfunded scheme where there are no assets – the current payments fund the current pensioners with the UK Treasury underwriting any shortfall. As such the scheme is not operated on the same basis as NILGOSC.

Mr Webb said that it was important for any job advertisements to explain the full reward package, which includes employer contributions to pension.

Dr Davison asked the Head of Finance to explain the difference between the Historic Cost Budget against the NDPB Resource Budget.

The Head of Finance directed members to Appendix 2 of the Budget report, which translated the College Historic Cost budget into the NDPB Resource Budget with a clear reconciliation of differences. The Head of Finance discussed the impact of annual revaluations on buildings and resultant increases on depreciation with the NDPB Resource budget not recognising the release from revaluation reserve that matches the increased depreciation.

The Head of Finance said the outcome is broadly the same and if the College conducted its financial management using the current budget that it would be simultaneously managing the NDPB Resource budget.

Dr Davison said the Governing Body need to understand the NDPB Resource budget/forecast and the reconciliation with historic cost. The Head of Finance agreed and said that it was his intention to translate the 15/16 monthly management accounts into the NDPB format.

Dr Davison left the meeting at 7.40pm.

The Chair asked the Director of Corporate and Economic Development if the Commercial Income budget for 15/16 was appropriate as it is approximately £500k greater than the actual in 14/15. Mr Keating said he was content as the Business Services department had been restructured and populated for delivery in 15/16.

	<p>The Head of Finance recommended that the Committee should recommend approval of the 2015-16 budget to the Governing Body, this was proposed by Mrs Larkin and seconded by the Chair.</p>												
10.	<p>NDPB Budgeting and Forecasting Submission</p> <p>The Head of Finance reported that the latest return was submitted on 21st August and it reflected actual performance for the period April–June 2015, forecast performance in July and the work-in-progress baseline budget for the period August 2015–March 2016.</p> <p>He explained that the August return had limited use as the year-end accounts were being prepared at the time of submission. He added that the Department had required that the VES T1 and T2 figures be reflected in the return.</p>												
11.	<p>Shared Services Update</p> <p>The Director of Corporate and Economic Development presented the update on the Shared Services by explaining to members that the new collaborative project would encompass the shared services working group.</p> <p>The collaborative project is appointing a senior manager from within the sector to progress within the auspices of the FE strategy.</p>												
12.	<p>Estates</p> <p>12.1 <u>Capital Projects and Estates</u></p> <p>The Director of Corporate and Economic Development reported that 2 members of the Estates staff exited under the VES scheme. He continued by explaining that the SPACE facility became operational on 7 September and reported that a caretaker was transferred from the Hollywood site to service the SPACE facility.</p> <p>The Director of Corporate and Economic Development reported that most of the key objectives for 14/15 were completed with all major capital works now complete.</p> <p>The Director of Corporate and Economic Development said that utility costs had reduced by 11% when compared with 13/14.</p> <p>The Chair asked for an update on the proposed Maze project. Mr Webb said the project was on hold.</p>												
13.	<p>Policies for approval:</p> <p>There were no policies for approval.</p>												
14.	<p>Update on applications and enrolments</p> <p>The Principal reported the following Retention, Achievement and Success statistics at the start of his verbal report.</p> <table border="1"> <thead> <tr> <th></th> <th>13/14</th> <th>14/15</th> </tr> </thead> <tbody> <tr> <td>Retention</td> <td>92.7%</td> <td>93.34%</td> </tr> <tr> <td>Achievement</td> <td>88.7%</td> <td>89.11%</td> </tr> <tr> <td>Success</td> <td>82.25%</td> <td>83.17%</td> </tr> </tbody> </table> <p>The Principal report that the College is still in the Enrolment Period.</p> <p>He said that HE enrolments are currently ahead of last year and are being targeted at meeting and maintaining the level of the MaSN cap. The Principal reported FE enrolments as being net down 36 when compared to last year. He explained that a number of students had been transferred to TFS to streamline delivery and the complexity of what is being delivered by staff.</p>		13/14	14/15	Retention	92.7%	93.34%	Achievement	88.7%	89.11%	Success	82.25%	83.17%
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	<p>The Principal said the College had introduced Youth Training pilot with current enrolments of 55.</p> <p>The Principal gave an overview of subject areas that witnessed increases, e.g. Computing, and those that had declined, e.g. Construction Services.</p> <p>The Principal reported a net increase from 13/14 of 53 students.</p>
16.	<p>16.1 <u>Debt Report</u></p> <p>The Head of Finance reported a 12% reduction in debt from 31 July 2014 to 31 July 2015 (£1.364 - £1.196). The Head of Finance commented that tuition fee debt was lower than prior year due to strengthened credit control procedures and this was reflected in a lower bad debt provision.</p> <p>The Head of Finance noted that Non-Student debt increased and said that this was in part due to timing. He said that the Finance Department have recognised non-student debt as an area for focus within 2015/16.</p> <p>Mr Webb noted to all members the confidential nature of the contents of the debt report.</p>
17.	<p>Bank Report:</p> <p>Members noted the bank position at 31st July 2015.</p> <p>The Head of Finance explained to members that under the new MS/FM the cash reserve balance is targeted to be 7.5% of income. He said that the Department was introducing a new cash draw down procedure under the MS/FM.</p>
18.	<p>Procurement:</p> <p><u>Annual Insurance Contract Renewal Tender Award</u></p> <p>The Head of Finance requested members to recommend ratification of the renewed sector insurance contract with Marsh Ltd.</p> <p>The Head of Finance reported that, under the new MS/FM and in the future, new commercial insurance contracts required the approval of the Department and DFP. He said that the sector NIFON group were actively working with the Department on completion of an Economic Appraisal.</p> <p>Mrs Larkin proposed the recommendation to the Governing Body and the Chair seconded.</p>
19.	<p>Any other notified business</p> <p>Mr Webb informed members of the official opening of the new SPACE facility. He said that the Minister for Employment and Learning would open the facility with a possible date within week commencing 19 October 2015.</p>
20.	<p>Date of next meeting</p> <p>The date of the next meeting will be 16th November 2015 at 6pm, at the Lisburn Campus.</p> <p>The meeting ended at 8.15 p.m.</p>

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(Chairman)

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(Date)