

MINUTES

Finance & Resources Committee No 4

Date: 24/02/2015 (Tuesday)

Time: 18:00–20:00

Venue: Rural Business Centre

Committee: Finance and Resources

Notes: Refreshments will be available from 5.30pm

Present: Ann Turner (Principal), Clare Platt, Ian Douglass (Vice Chairman) and Tony Hindle

Attending: Jennifer Eastham (Deputy Principal) and John Wherry (Deputy Principal)

Clerks: Ron Matthews (Clerk) and Susan Whiteside (Deputy Clerk)

Apologies: Ian Higginbotham (Chairman) and Stuart Heys

Public Minutes

Item number: Item description:
(and category)

- 00.15** ***Welcome***
Information The Chairman of the Committee welcomed all to the meeting.
- 01.15** ***Attendance of College Management Staff***
Decision Section 8.2 of the current Constitution and Terms of Reference for the Finance & Resources Committee states: College management and / or consultants may attend meetings by invitation in an advisory capacity.
- Resolved:**
- That College Management staff be invited to attend the meeting.**
- 02.15** ***Apologies for Absence***
Record Apologies for absence had been received from Ian Higginbotham and Stuart Heys.
- 03.15** ***Public Minutes of Previous Meeting***
Decision The public minutes of meeting number 3 held on 25 November 2014 were confirmed and signed as a true and correct record.
- 04.15** ***Declaration of Interests***
Record Members of the Committee were asked to declare any interests they may have in respect of items on the public agenda. No declarations were made.
- 05.15** ***Strategic Plan Progress Report***
Consultation Consideration was given to the Strategic Plan Progress Report 2014 / 2015 which summarised progress against targets relevant to the Finance & Resources Committee.
- We will continue to build and enhance our brand and reputation for excellence within the land-based & sports sectors
- The key performance indicators related to:
- Recruitment - Apprentice recruitment was behind target in all age categories at the six month point in the year. This reflects the national trend for 16-18 apprentices, though all political parties consider

apprentices as central to their policies. The management accounts reflected the lower recruitment.

Member questions prompted discussions around the educational offers to 16 to 18 year olds, be it schools based, FE classroom based or workplace based. Members noted the falling population of 16-18 year olds and challenges regarding careers advice. College trends showed increased micro business activity as opposed to recruitment by the larger employers. College would continue to support employer engagement activity and externally promote itself to attract new entrants and maximise opportunities.

Income through research, international activity and grants – Income was significantly ahead of target.

We will deliver great value for moneyThe financial targets were met and the Skills Funding Agency had endorsed the College's financial health grading of 'Outstanding'.

Members made reference to the performance of other Cultiva Colleges, later minute 18.15 refers, as a tool for identifying trends that have or may impact on Myerscough. Members received assurance that external factors were continuously monitored and the accounts were monitored at all levels to ensure there was no opportunity for complacency. Though the College was not risk averse, controls were in place to ensure prudent financial management.

Resolved:

That the Strategic Plan Progress Report 2014 / 2015 to the Finance Committee be received.

06.15

Consultation

Financial Position Statement for the Period Ended 31 January 2015

Consideration was given to the Financial Position Statement for the six months ended 31 January 2015.

The surplus as a percentage of income (pre FRS17) was 8.9% (12.9% January 2014). The balance sheet remained healthy. There was a current ratio of 1:1.35 and cash days of 54.20. The report indicated that performance against the previously agreed key performance indicators was ahead of target.

FE Recruitment 16 - 18 years – has exceeded target though the level of subcontracted activity has increased with the subcontractor receiving 85% of the income. Members wished to monitor the effect of subcontracting on the financial margins. Audit Committee, at their meeting in February 2015, had received a report on the level of

Subcontracting for 2014 / 2015, according to SFA requirements, and to allow scrutiny and assurance to Corporation of quality management in this area of delivery.

The increase in High Needs learners has resulted in the College employing 12 additional staff. Finance & Resources Committee were informed that the EFA had confirmed the College would be allocated 100 'High Needs Learner' places for the 2015 / 2016 intake.

Recruitment of Apprentices was behind target which had resulted in the SFA reducing the contract value.

Balance Sheet – There were explanations around the procedures for invoicing and collecting the payments for the HE directly funded students and the 24plus loans which were all invoiced by the College.

Members engaged in discussion around the various aspects of the accounts in detail.

Overall Finance & Resources Committee noted performance was mainly ahead of profile.

Resolved:

That the Financial Position Statement for the Period Ended 31 January 2015 be received and approved as submitted.

07.15

Consultation

Investment Funds Including Interest to 31 January 2015

Consideration was given to the report on investments for the period ended 31 January 2015. Total cumulative interest received on cash balances amounted to £16,006 at 31 January 2015. The total cash invested amounted to £4,089,262 at 31 January 2015 with deposits in four separate accounts. The Barclays Euro account was also listed in the report which included deposits referenced to partner institutions of a Leonardo Project.

Resolved:

That the statement detailing investment funds including interest to 31 January 2015 be received as submitted.

08.15

Consultation

Capital and Revenue Cash Flow for the Period Ending 31 January 2015

Consideration was given to the Capital and Revenue Cash Flow for the period ending 31 January 2015.

Finance & Resources Committee noted previous predicted figures had matched actuals which gave confidence in this area. Finance & Resources Committee noted the inclusion of the proposed capital developments, loans and grants, with timings not yet fixed.

Finance Committee noted that the cash levels exceeded the forecasted levels

Resolved:

That the statement detailing the capital and revenue cash flows for the period ending 31 January 2015 be received as submitted.

09.15

Consultation

Myerscough Ventures Report for the period ended 31 Jan 2015

Consideration was given to the Myerscough Ventures financial performance report for the six months ended 31 January 2015.

At the end of six months the income contribution from Myerscough Ventures was within £6k of target providing a total contribution of £813k to the College. With the inclusion of the Farm this was increased to £861,511.

Residencies was behind profile though was expecting to meet year-end target. There were some adjustments to make concerning allocation of staffing costs and there had been additional costs concerning the 'bunka bins' accommodation.

The Gym has been refurbished and was attracting new members and good feedback.

The Farm was performing well and exceeding the target margin, though the decrease in milk prices would have negative impact.

Resolved:

That the Financial Performance Report on Myerscough Ventures for the period ended 31 January 2015 be received as submitted.

10.15

Consultation

Capital Expenditure Report – 31 January 2015

Consideration was given to the Capital Expenditure Report to 31 January 2015 which was running to plan.

Total expenditure amounted to £1,897k at 31 January 2015 which was a lower spend than forecast. The forecast outturn of agreed projects of £17,947k was within the agreed tolerance of 3% at 0.1%. Finance & Resources Committee requested future reports to include a budget

column for the whole year and that the outturn column show the full funding sources.

In common with the approach throughout the meeting Finance & Resources Committee gave consideration to the external environment and the need to look beyond the current year.

Finance & Resources Committee noted that where necessary the capital expenditure monies were carried over to the next financial year.

Finance & Resources Committee complemented management on the recent Internal Audit Report on Capital Projects which provided assurance on management in this area. There were no recommendations and some areas of good practice highlighted. The report had been considered by Audit Committee at their meeting on 10 February 2015.

Resolved:

That the Capital Expenditure Report for the period to 31 January 2015 be received as submitted.

11.15

Decision

Financial Regulations Annual Review

The College Financial Regulations document was last fully considered and updated in February 2014 and there had been an interim update in November 2014.

The DP Finance and funding had carried out a full review of the College Financial Regulations. The required amendments were necessary to reflect changes in job titles. Also the list of budget holders and appendices had been updated to reflect the latest approved documents. In addition reference to International Financial Reporting Standards would be included on the Year End Financial Statements documents.

Resolved:

That the revisions to the College Financial Regulations be approved.

12.15

Decision

Tuition Fees 2015 / 2016

Finance Committee gave consideration to the proposed tuition fees for 2015 / 2016.

Further Education Tuition fees were not payable by students aged 16-18 years old at the start of their course. The SFA reduce the grant payable for students aged 19 and above on the 31st August at the start of the

course, who do not qualify for entitlement (free tuition) by 50%, with Colleges targeted with collecting the balance as tuition fees. Some students who would be studying their first full level 2 or 3 and are aged between 19 and 23, or who are in receipt of an income based benefit, may still qualify for a fully funded place.

The current fee for any adult on a full time further education course – regardless of level or curriculum area – is £1,175 this charge was made to less than 50 students in 2014/15. It is proposed that this is increased to £1,225 an increase of 4%, the proposed increase is higher than inflation, as College needs to generate revenue to offset the cuts in SFA / EFA grants.

It is proposed that international student fees will increase from £5,500 to £5,750 an increase of 4.6%.

Students aged 24 and over studying level three qualifications no longer attract grant funding. These students would be expected to take out a student loan. Myerscough charges between £2,882 - £9,400 for the course, dependant on the number of modules and subject. It is proposed that these fees increase by in excess of 5% with a view to reaching the maximum £2,882 - £11,356.

Fees for part-time courses will be adjusted accordingly by between 2.5%-5%, being mindful of differing market conditions.

Higher Education (Direct and Indirect)

Full-Time Courses	Fee Per Annum	Notes
Foundation Degree	£8,000	Previously was £7,500 – 6.25% increase
Honours Degree	£9,000	Maximum set Nationally
Masters Degree	£5,000	Set by UCLAN
Module price for Part-Time Courses	£625	Generally 4 modules per year taken

Finance & Resources Committee commented on the forthcoming general election and potential impact on current sector fee arrangements.

The Committee noted the success of 24plus loans in the College and reflected on the collective impact of the many separate risks to the business against the income generated.

The Clerk informed members that the next Governor Training event being held on 10 March 2015 would focus on risk management.

Resolved:

- I. That the 4% fee increase to £1,225 for adults on full time FE courses be approved.
- II. That the fee adjustment for part time FE Courses of between 2.5% to 5% be approved.
- III. That the 4.6% fee increase to £5,750 for International FE students be approved.
- IV. That the fee increase by in excess of 5% to between £2,882 and £11,356 for 24plus students be approved.
- V. That the 6.25% fee increase to £8,000 for Foundation Degrees be approved.

13.15

Consultation

College Funding 2015/ 2016 Further Education

College receives its funding for its main FE delivery via two separate funding bodies, Skills Funding Agency (SFA) for apprentices and adults, and the Education Funding Agency (EFA) for students aged 16-18. The agencies work independently of each other to differing timescales and to different sets of rules.

The EFA cash allocations for students aged 16-18, plus 19-24 with high needs have not been released at this stage, though are expected in March. The table below highlights the changes with the highest impacts for 2015/16:

Funding rates - Changes:

- * Transitional protection for cut in base rate funding for 18 years olds removed
- * Actual base rate to be confirmed in March
- * High Cost programme factor not introduced until 2016/17
- * Formula protection ends 2015/16 (impact £500k)

Maths and English (M&E) - Changes:

All students recruited without GCSE Maths and English at Grade C or above must undertake the GCSE or equivalent, as a condition of funding.

From the funding returns submitted in December, sufficient students to exceed contract have been recruited (both directly and indirectly via sub-contractors), due to the increase in numbers between the 1st November census date and the final return last year, the numbers allocated for 2015/16 are higher than the current contract. Included is

the approved increase in 'High Needs Learners' from 42 to 100. Until the 'base rate' and other elements of the formula are released, College cannot place a cash value on the contract. The SFA, who fund adult classroom based FE, apprenticeships, traineeships and programmes for the unemployed, have not released indicative allocations, these are forecast for March. Current press releases suggest that the 'Skills Funding Statement' includes a 25% cut to the Adult Skills Budget – if this was applied to Myerscough it would be a cut of circa £300k per annum. The actual impacts to FE funding for 2015 / 2016 cannot be quantified at this stage.

Finance & Resources Committee referred to the formula protection which would cease after 2015 / 2016, though 2016 / 2017 will be the first year the 'funding uplift' will be applied to those students on 24 hours a day, 7 days a week specialist land-based programmes to reflect the increased resources these require.

Finance & Resources Committee commented on the desire to maintain a profile of excellence.

Finance & Resources Committee noted the College offer has historically ranged from introductory level courses through to degree courses. Members considered the student mix in the College Community across the Centres and questioned whether there was any significant movement in concentrations of student, for example, according to subject or level of learning. College monitors recruitment and will declare classes full once sufficient numbers are reached.

Finance & Resources Committee were interested to understand the financial contributions from the Centres and to be informed of any underperforming areas.

Funding allocations once received would be reported to Corporation and Finance & Resources Committee.

The budget would be presented to the next meeting of the Finance & Resources Committee which would include forward projections and would receive final approval from Corporation.

Resolved

That the report on Further Education College Funding 2015 / 2016 be received.

14.15

Consultation

Human Resources Report for the period ended 31 January 2015

Consideration was given to the Human Resources Statistics reports which provided information on staff turnover, stability index and, levels

of staff sickness together with areas for improvement and a report on actions taken and their impact.

The most common reason for staff leaving was recorded as promotion and salary level, Finance & Resources Committee wished to understand which of these was the main reason. Members were informed that the rebase and expanded salary range had impacted positively on the quality of applicants to positions. The stability index gave an indication that staff were being retained. It was also pointed out that some movement of staff was healthy to the organisation. Applications had been received from existing staff for senior lecturer positions which meant they were able to stay in teaching and whilst progress in their careers.

The outsourcing of the cleaning contract was progressing with the transfer due to take effect from 2 March 2015.

Resolved:

That the Human Resources Report be received

15.15

Consultation

Health and Safety Report for the period ended 31 January 2015

Members gave consideration to the Health and Safety Report for the period ended 31 January 2015 which provided an analysis of accident statistics over the period together with other Health and Safety activity including policy updates, staff training, free health checks, auditing and inspections.

Analysis had identified a rise in accidents due to falls from horses. There was also a higher rate of accidents from under 18 females. Investigations were underway to ascertain reasons. Finance & Resources Committee requested a breakdown of the slips trips and falls data which was the largest category of accident.

Resolved:

That the Health and Safety Report for the period ended 31 January 2015 be noted.

16.15

Decision

Revised Budget 2014 / 2015

Finance & Resources Committee gave consideration to the proposed changes to the forecast income streams and proposed expenditure for the financial year 2014 / 15.

A revision of the budget was required due to a number of significant changes, listed below. Some changes were movements between headers.

- * Increased High Needs Students
- * Increased Subcontracting
- * Challenges recruiting Apprentices
- * Outsourcing of Cleaning Contract – moving cash from pay to non pay

The following table summarises the key figures:

	Base	Revised	
	Budget	Budget	
	2014/15	2014/15	Change
	£'000	£'000	
Income	27,780	27,779	-£1k
Pay Costs	16,104	16,134	£30k
Non-Pay Costs <i>exc, Interest Payable</i>			£75k
	10,606	10,681	
Surplus <i>before Interest</i>	1,070	955	-£115k
Interest	305	305	0
Surplus <i>after Interest</i>	765	650	-£115k
Surplus After Interest as a % of Income			-0.5%
	2.8%	2.3%	
Gross Margin	41.84%	41.26%	-0.58%
% Staff Costs	58.0%	58.1%	0.1%

A detailed analysis of the proposed revised budget, compared to the base budget for 2014/15 was provided with reasons given for each change.

Financial Health

The budget delivers a financial health rating of 'Good' which was in line with previous forecasts and SFA approvals.

Summary

Management would aim to exceed the income and margin targets.

Resolved:

That the revised Budget 2014 / 2015 be received as submitted and recommended to Corporation for approval.

