

APPROVED Minutes of the F&GP Committee held on Tuesday, 6th May 2008

Present: Mr M Murray (Chair)
Mr R L'Amie
Mr D Quail
Mrs J McAllister
Mr M Dixon

In attendance: J Stott (Clerk)
S Shaw (Deputy Clerk and Minute Secretary)

Apologies: L Swift (Head of Finance)

Meeting commenced: 19:00 pm

Meeting closed: 20.50 pm

The Clerk welcomed Members of the Committee.

The apologies of the Head of Finance were noted and Members wished her a speedy recovery from a minor operation. Roger L'Amie was expected to arrive late.

It was noted that there was a vacancy on the Committee due to Mick Brannan stepping down.

19.05 Roger L'Amie joined the meeting.

12/08 Disclosure of financial and/or personal interest

There was no disclosure of financial and/or personal interest.

13/08 To agree agenda and order of business as circulated

The agenda and order of business was agreed as circulated. The Principal indicated that she had an item of "Any Other Business" for the end of the meeting.

14/08 To approve the minutes of the meeting held on 26th February 2008

The minutes were agreed as a true record.

15/08 Matters Arising

At item 05/08 (b), page 2, the Principal explained that the fall in tuition fee income was partly due to the adult First Full Level 2 qualifications being fully funded by the LSC rather than learners needing to pay for them privately.

At item 05/08 (f), page 4, the Principal explained that the arrangement fee for the overdraft was £200 and that interest would be charged on any amounts drawn down via the overdraft facility.

At item 10/08, page 6, it was noted that a consideration of the capital funding arrangements for the Property Strategy would be undertaken by the F&GP Committee at a special meeting on 13th May.

16/08 (i) To consider and receive the Bi-Monthly Management Accounts for the period to March 2008

The Principal presented the Management Accounts in the absence of the Head of Finance.

She commented, in particular on the following: -

(a) Out-turn for the period

At 31st March 2008 the accounts showed a retained surplus of £100k compared to a budgeted deficit of £116k. At this point last year the College had a retained deficit of £127k.

(b) Income

Total income to 31 March 2008 was £4,800k, compared to a budgeted income of £4,790k. This represented an increase of £10k. At this point last year income was £4,719k.

- Base allocation - The 2007/08 allocation was for £5,134k. This had been allocated to the accounts on an equal monthly basis so that the income included in the accounts was £3,423k. The actual cash received for the period to 31 March was £3,285k.
- Work Based Learning - £249k compared to the budgeted income of £210k due to the return of the Horticulture contract.
- E2E (work-based learning)- £98k, compared to a budget of £120k.
- Income from Schools - £74k, compared to a budgeted of £49k.
- Tuition fees - £277k compared to a budgeted income of £282k. It was noted that the total actual fees collected at 31st March were £400k which was £5k below the forecast total for the year.
- Grant income - £66k compared to a budgeted income of £51k.
- Other income - £113k, compared to a budgeted income of £88k.

(c) Expenditure

Total expenditure for the period to 31 March 2008 was £4,703k compared to a budgeted expenditure of £4,909k.

Of this, Pay expenditure for the period totalled £3,444k, compared to a budget of £3,606k, a reduction of £162k reflecting savings made on vacant

posts (there had been a £48k saving net of agency costs to date) and savings on PTL staffing. However, it was anticipated that some of the saving on the PTL budget would need to be released to enable the College to meet its LSC targets.

Non pay expenditure was £1,259k, a reduction of £44k on budget.

(d) Balance Sheet

Debtors - At 31st March 2008 trade debtors were £56,439 of which £14,355 had been outstanding over 60 days.

Cash and Bank - Cash totalled £537,297 at 31 March 2008. This represented 27.3 cash in hand days based on the forecast income for the year and was an improvement on the situation at the same time last year.

Level of borrowings - The College had no bank borrowing at 31st March 2008. There were 2 financing agreements totalling £18,072 outstanding.

Trade Creditors - There were no outstanding balances on the purchase ledger at 31 March 2008 related to authorised invoices more than 30 days old.

(e) Financial Forecast

The financial forecast prepared in March 2008 showed a forecasted retained surplus for the year of £58k. These full year forecasted figures were used for comparison in this report.

(f) Cashflow Forecast

The Principal explained that the cash flow projections had been prepared as at 31 March 2008 based on all knowledge to date. The projections showed a reducing cash balance over the two year period to 31 July 2009, mainly due to way that SRIP income has been profiled.

It was noted that the cash flow for 2008-09 was based on the assumption that the LSC would continue to use its 07/08 payment profile for two of the elements of the new funding regime. However, it was noted that the third aspect - "Employer Responsiveness" - would be based on actual performance paid monthly in arrears, thereby introducing greater uncertainty in the forecasting. In the light of this, the average balance predicted for 2007/08 was 37 days in hand and 19 days in hand for 2008/09.

It was noted that, although the overdraft facility of £200k had not been used to date in 2007/08, it had been rolled forward to September 2008 as a risk management tool against the uncertainty of the LSC payment profiles.

(g) Other matters

The Principal confirmed that there had been little change in the number of staff in post.

It was noted that provisional figures from the Registry for 30th April indicated 572 16-18 full time numbers against a target of 560. The provisional enrolments for other students were 2627 against a whole year target of 3340.

(h) Accounting ratios at 31st March 2008

	31/03/08	Target	31/03/07
Retained (deficit)/surplus as a percentage of income for the period	2.1%	Positive	(2.8%)
Cash days in hand	27.3	25	6.17
Current ratio	1.21	1.5	0.91
General reserve as a percentage of forecast total income for the year (excluding release of deferred capital grants)	7.9%	5	4.5%
Loans as a percentage of reserves	nil	Below 50%	1.6%
Staff costs as a percentage of income (excluding redundancy)	70.4%	N/a	75.5%

(i) Sensitivity

The four areas of sensitivity identified as critical in this report were:

- Level of enrolments
- Grant and Other LSC Funding
- Work-based Learning Income
- Tuition Fee Income

The Committee received the report.

17/08 To consider an update of the 3-year Financial Forecasts.

The Principal introduced the Financial Forecast update. She highlighted the overall position as follows.

2007-08 The forecast shows a surplus of £58k compared with a budgeted surplus of £9k and the previous forecast surplus of £62k.

- 2008-09 The forecast shows a surplus of £43k compared with a budgeted surplus of £13k and the previous forecast surplus of £37k.
- 2009-10 The forecast shows a surplus of £24k compared with a budgeted surplus of £22k and the previous forecast surplus of £40k.

The Principal drew the Committee's attention to the fact that the overall forecast position had been maintained by increasing sources of funding. She reminded Members that if it was not possible to find replacement funding for the SRIP project in 2009 it would be necessary to make further savings in expenditure.

The Principal explained that the forecasts had been established on the assumption that LSC income would remain as at present and would not increase. However, the Principal considered that the overall picture moving forward would be for a reduction in LSC funding and she reminded members again that significant funds were likely to be moved from adult provision into employer provision.

The Principal explained that the initial allocation for 08/09 16-18 year old students had been received, showing only a 0.4% increase on the 07/08 allocation but that the College was negotiating to improve this allocation. The provisional Adult allocation was in the region of 10% down on this year's total. Again, the College would be negotiating to improve this position.

Members were reminded about the need to ensure that surpluses for future years demonstrate the ability to finance the interest payments on a future capital project loan.

The main changes to the forecasts for income during 2007-08 were noted as follows: -

- a) a reduction in Train to gain income of £15k,
- b) a reduction in WBL income of £15k
- c) increase in tuition fees, grant income and other income of £23k
- d) Savings achieved to date in teaching and teaching support department costs of £28k.
- e) Following various staff changes, agency staff costs and recruitment costs have increased non pay costs by £20k, funded by savings in pay expenditure
- f) Savings in admin costs of £7k.
- g) An increase in marketing expenditure of £14k

The main changes to the forecasts for income during 2008-09 were noted as follows: -

- (a) a reduction of £53k per year relating to Train to Gain with a similar reduction in expenditure and a small adjustment to increase SRIP income by £5k per year.
- (b) A grant of £80k received for energy efficiency work on the Salt and Exhibition buildings planned for 2008-09

- (c) An increase in unidentified income by £190k in 2008-09 and £180k in 2009-10, intended to offset the expected reduction in forecast LSC income.

In response to a question about the level of unidentified income, the Principal explained that she felt the forecast level could be achieved. In terms of surpluses, the Principal felt that £80k or £90k should be achievable but that uncertainties over the effect of the new funding model and the effect of the end of SRIP funding may affect the ability to attain this level of surplus.

The Principal drew Members' attention to the continued assumption that pay increases of 2.5% would be implemented in 2008-09 and 2009-10. Members noted that an increase of 0.5% in addition would increase pay expenditure by £26k.

Members noted that strike action had been taken by UCU members on 24th April as part of the UCU national action.

The forecasts were received.

18/08 To receive the Treasury Management Policy

The Principal took Members through the introductory paper prepared by the Head of Finance drawing their attention to the following in particular:

- (a) the LSC had changed its support for capital projects. The capital allocations are now based on "affordability" and a requirement to take out loans for a value of between 35-40% of College income upon completion of the project. Colleges could continue to seek income from other sources.
- (b) the interest rate policy currently is to use the 1% below base rate on current account funds, linked to a free banking arrangement with Lloyds as confirmed by the F&GP Committee on 4th December 2007.
- (c) borrowings were within the LSC prescribed limits as there were currently no bank loans. The College overdraft facility had not been utilised. Management action had been taken to maximise College funds.
- (d) Creditors over 30 days had been low throughout the 12 month period.
- (e) Debtors over 60 days had been low throughout the 12 month period.

Members received and noted the contents of the Treasury Management Policy Statement without further amendment.

19/08 To consider a progress report on the operational effectiveness of the Risk Management Plan with respect to financial issues

The Principal presented the report and drew Members' attention, in particular, to the identified risk entitled "the effect of changed FE priorities and funding allocations on the financial health of the College". It was noted that the new funding methodology would form the subject of a training item at the Corporation Meeting on 24th June.

It was noted that the College remained currently in Band A financial status.

Members noted that the special meeting of F&GP convened for 13th May would consider arrangements for raising funds from the banks to support the College's Property Strategy.

The report was received.

The Clerk to the Corporation asked the Deputy Clerk to take his place while he presented the next item.

20/08 To receive a Briefing from the College Administrator about the changes to the Local Government Pension Scheme that took effect from 1st April 2008

The College Administrator presented the report about changes to the Local Government Pension Scheme affecting support staff.

It was noted that there would be a dual pension calculation, based on the new regulations, for existing members of the scheme whereby all pension contributions prior to 1st April 2008 would result in a pension of 1/80th of final pay for each year of service and all contributions post 1st April 2008 would be calculated as 1/60th final pay for each year of service from 1st April 2008.

Other key changes were noted, including the increased employer contribution from 12% to 12.5% with effect from 1st April 2008.

Members thanked the College Administrator and Head of Finance for the very clear report.

The College Administrator resumed his role as Clerk to the meeting.

21/08 To receive a recommendation for the premises lettings charges to apply for the period 1st August 2008 to 31st July 2009

The Principal presented a paper outlining charges for hire of different College rooms and facilities. Members noted that this was based on a 3% increase.

The Committee considered the proposed charge increase to be appropriate and approved the recommendation to increase the premises lettings charges by 3%.

22/08 Any Other Business

(a) New Partnership Provision Proposal

The Principal apologised for needing to table a paper. However, urgent bid deadlines and the need for F&GP to give approval to the proposal had left

her no option. Members agreed to consider the proposal brought before them.

The Principal then presented the outline proposal and risk assessment that had been drawn up by the Assistant Principal (Employer and Community Responsiveness) for a new provider partnership with a locally based training organisation providing training to the Care Sector.

The Principal explained that the partnership was in connection with a new bid for Train 2 Gain work via a tender to the LSC. Such an arrangement would assist the College to achieve an increased volume of employer-led delivery.

The company concerned was not able to bid independently to the LSC since it had no capacity for Skills for Life or IAG (Information, Advice and Guidance). The College would provide these aspects as well as managing the funding, contractual and audit elements of the arrangement.

The Principal detailed the respective roles and responsibilities of both the company and the College. She then explained the payment profiles and management fee basis to be deducted as a percentage of the total qualification value per learner.

She explained that this arrangement would enable the College to respond flexibly and swiftly to employer demand and that this Train to Gain work would be in addition to that undertaken as part of the Bradford College Consortium.

She explained that the Funding Council generic franchise form of contract had been agreed by the Corporation during 05-06 for adaptation as appropriate to particular circumstances and that this would form the basis of the agreement between the College and the company. She explained that this type of arrangement was not new to the College and that the risk element could be managed since the funding would be drawn down by the College in the first instance and paid out upon evidence of delivery and student achievement.

She drew attention to a number of risks in relation to this proposal, namely:

- the Employer Responsiveness funding will be paid monthly in arrears via the LSC;
- the company concerned work with City & Guilds which is not the College's chosen accreditation centre.
- risks to reputation - the key to this would be to keep a close eye on quality and the audit process and the relationship with the company would have to be managed carefully;

Following careful consideration of the proposal, the F&GP Committee agreed to approve the proposal for a Partner-Provider Agreement with a local training company.

- (b) A Committee Member suggested that it would be helpful for Members to receive regular updates on items of specific news in relation to the College and items of general relevance to their understanding of the FE sector, perhaps via email between meetings. This was agreed.
- (c) Dates of meetings to January 2009
 - i. Tuesday 13/05/08 - Special Meeting
 - ii. Tuesday 24/06/08
 - iii. Tuesday 15/07/08
 - iv. Tuesday 23/09/08
 - v. Tuesday 02/12/08
 - vi. Tuesday 13/01/09

The meeting closed at 20:50pm