

APPROVED Minutes of the F&GP Committee held on Tuesday, 24th June 2008

Present: Mr M Murray (Chair)
Mr D Quail
Mr M Dixon
Mr B Dugdale
Mrs J McAllister

In attendance: L Swift (Head of Finance)
J Stott (Clerk)
S Shaw (Deputy Clerk)

Apologies: Mr R L'Amie

Meeting commenced: 19:05 pm

Meeting closed: 21.05 pm

22/08 Disclosure of financial and/or personal interest

There were no disclosures of financial and/or personal interest.

23/08 To agree agenda and order of business as circulated

The agenda and order of business were agreed as circulated.

24/08 To approve the minutes of the meetings held on (i) 6th May 2008, and (ii) 13th May 2008

- (i) The minutes of the meeting held on 6th May 2008 were declared a true record.
- (ii) The minutes of the meeting held on 13th May 2008 were declared a true record.

25/08 Matters Arising

(i) Matters arising from the minutes of 6th May 2008.

There were no matters arising from the minutes of 6th May 2008

(ii) Matters arising from the minutes of 13th May 2008

At page 3, item 26/08(a) concerning the identification and acquisition of a site in Central Shipley, a Member referred to recent comments by students about how they enjoyed learning in the Saltaire campus. He raised concerns in light of the Corporation's plans to have a location in Shipley Town Centre. The Committee agreed that the Member's request be considered further in due course.

At page 3, item 26/08(d), in connection with the need to use LSC "Framework" approved contractors in capital projects, the Head of Finance advised Members that the College's legal advisors had indicated that legal

arguments may be mounted for insisting on the retention of the College's identified contractors.

In response to a question from the Chair of the Committee, the Principal explained that the Application in Principle would probably not be ready for the July Corporation. She reminded Members of the arrangements to delegate powers to F&GP and the Estates Committee to consider proposals over the summer and early autumn. She hoped that a final proposal may be available for Corporation approval in October.

Following further questions from Members, the Principal reminded Members that Corporation had already endorsed the College's "distributed property strategy", key elements of which had been identified as a presence in Central Shipley and in the Gaisby Lane area. She reminded Members that the Saltaire campus had been identified as the main hub of College activity and that the LSC had accepted a move to the Application in Principle stage on this basis. She reminded Members that the Airedale Masterplan incorporated a central Shipley College building as part of its vision for Shipley. The College had altered its plans to develop further within Saltaire as a result of the Masterplanning activity with a view to linking College development into the District's regeneration planning. She reminded Members that the College had been advised by the LSC to submit all its proposals under one project application.

Members agreed that the matters raised would be fully debated, as planned, through the relevant committees over the next few months.

26/08 To consider the Bi-Monthly Management Accounts for the period to May 2008

The Committee considered the Management Accounts and Report for the ten month period to 31st May 2008, presented by the Head of Finance.

Out-turn for the period

- Retained surplus of £134k compared to a budgeted deficit of £6k. Members noted that LSC income was being accounted for, as agreed, on an equal monthly income basis.

Income

- Total income for the period to 31st May was £6,020k, compared to a budgeted income of £6,025k. This represented a decrease of £5k.
- LSC base allocation – Income of £4,277k as budgeted. Actual cash received for the period to 31st May 2008 was £4,437k. Again, Members noted that the LSC income was being accounted for on an equal monthly basis. Total base allocation for 2007-08 was £5,134k and this total payment would not be exceeded.
- Work-based learning income was £318k compared to the budgeted income of £263k. This reflected the increase in contract value as a result of the addition of the Horticulture element and a funded over-achievement of the contract.

- Other LSC income was £508k compared to a budget of £633k, a reduction of £124k. This was partially related to reduced Train to Gain income and a reduction in income from the Learning Line and CDI centre projects, with similar reduction in expenditure for both sources of income.
- Income from the E2E work-based learning contract was £119k compared to a budgeted £154k. This reduction had been forecast.
- Income from schools was £93k compared to a budgeted income of £63k.
- Tuition fees for the period were £379k compared to a budget of £369k.
- Grant income for the period to 31 May was £77k compared to a budgeted income of £51k.
- Other income for the period was £139k compared to a budgeted income of £103k.

Expenditure

- Total expenditure for the ten months to 31st May 2008 was £5,889k compared to a budgeted £6,035k. The decrease of £146k resulted from on-going savings achieved. The Committee noted that, at this point in 2007, the expenditure had totalled £5,865k.
- It was noted that pay expenditure was down by £113k at £4,333k against the budgeted £4,446k. This was the result of:
 - Savings of £48k so far this year on vacant posts (net of agency costs)
 - Savings on PTL staffing to date. However, Members noted that this saving may need to be released before year end in order to assist with the achievement of year end targets.
- It was noted that there was a reduction in non-pay expenditure of £33k to total £1,556k compared to the profiled budget of £1,589k as a result of a range of factors listed in the report.

Balance Sheet

- Trade debtors – at 31st May 2008 there were £52,545 of trade debts of which £2,610 had been outstanding over 60 days. Of this, £210 had been cleared since the period end, leaving one balance for which payment was promised.
- Cash and Bank – Cash totalled £1,042,821 at 31st May 2008. This was placed in the current account, attracting interest at 1% below base rate. Based on the forecast income for the year, this equated to 53 cash days in hand.
- Borrowings – At 31 May 2008 the College had no bank borrowing. There were 2 financing agreements outstanding of £16,671 taken out to take advantage of zero percent interest deals.
- Trade creditors – At 31 May 2008, there were no outstanding balances relating to authorised invoices which were more than 30 days old.

Financial Forecast

- The forecast prepared in April 2008 showed a forecasted retained surplus for the year of £58k. It was noted that these full year forecasted figures had been used for comparison in this report.

Cashflow Forecast

The Head of Finance explained that the cash flow projections prepared at 31st March 2008 would be updated for the next meeting on 15th July 2008 in line with the updates of the Financial Forecasts.

Other matters

- Members noted the number of staff in post at 31 May 2008 quoted as FTEs

Support staff

Teaching Support	25 (2007 – 22)
General admin and support	57 (2007 – 59)

Full Time & Proportional Lecturers

Lecturing roles	56 (2007 – 68)
Support roles	7 (2007 – 9)
Part-time lecturers	20 (2007 – 24)

- **Numbers of Students enrolled** – provisional figures from the Registry for 2007-08, as at 16 June 2008, indicated 572 16-18 full time numbers against a target of 560. The provisional enrolments for other students were 2699 against a whole year target of 3340.

Sensitivity

The Head of Finance commented on the four areas identified as critical: -

- (a) Level of enrolments, where an underachievement of 5% of LSC funds would reduce income by £256,694
- (b) Grant and other LSC funding, where a reduction of 5% in income (predicted for 2007-08 at £790k) would equate to £39,500
- (c) Work-based Learning income
It was noted that the forecast income for Work-based Learning (for both contracts) was £575k adjusted to reflect the actual anticipated income. If there were a further fall of 5% in this income, this would equal £28,750
- (d) Tuition fee income
It was noted that forecast tuition fee income was £415k adjusted to reflect the actual anticipated income. If there were a further fall of 5% in this income, this would be equal to £20,750

Accounting ratios at 31st May 2008

	31/05/08	Target	31/05/07
Retained (deficit)/surplus as a % of income	2.3%	Positive	5.8%
Cash days in hand	53	25	31.1
Current ratio	1.2	1.5	0.91
General reserve as a % of forecasted total income for the year	8.3%	5	11.3%
Loans as a % of reserves	Nil	Below 50%	Nil
Staff costs as a % of income (excluding redundancy)	71%	N/A	69.4%

Members noted that the increase in staff costs as a percentage of income for the period compared to the same period last year was as a result of the agreed change in the treatment of LSC income to account for it on the basis of 1/12th of total income per month. Members noted that the final year end staff costs as a percentage of income to 31st July 2007 was 72.6%. The current forecast staff costs as a percentage of income to 31st July 2008 was 71.1%.

The change in accounting treatment for LSC income had had a similar effect on the reserve percentages.

The Committee received the report and the Chair asked for comments.

Members were concerned about developments in national pay settlements where current proposals by the Association of Colleges had been rejected by the unions.

The Principal suggested and Members agreed to consider this aspect further under the next agenda item. However, she informed the meeting that an increase of 1% above the budgeted pay rise of 2.5% would cost the college something in the region of £52k.

27/08 To consider the 2008-09 Revenue and Capital Expenditure Policy

The Principal reminded members that the paper circulated on the subject of the 2008-09 revenue and capital expenditure policy had become a regular feature of the July F&GP Committee agenda, at their suggestion, as it permitted the Committee to establish some assumptions on the basis of which the Committee could then consider the draft Finance Plan later in the month.

The Principal then guided members through the paper, drawing their attention to the key elements to be considered as part of the formulation of the budget and providing some additional contextual information:

(a) LSC base allocation

It was noted that the 08-09 budget had forecast a 2.5% increase but the College had succeeded in negotiating a 4.52% increase over the 2007-08 allocation. Challenging targets had been set against this and this would require a further shift in College provision towards LSC national and local targets. The Principal explained that there remained some areas of uncertainty in the allocations due to a new allocation of ALS for adults which could not be vired into any other area of provision. She explained that the full implications of the new funding methodology would become apparent when the funding and audit documents were received and in the light of experience in 2008-09. However, there would be less flexibility in viring between budget heads in future.

(b) Changes in staffing and delivery patterns planned to build capacity

The Chair asked about plans for redundancy and the Principal confirmed that, at this stage, there were no College-wide plans for voluntary redundancies.

(c) Pay increases for 08-09

Members noted the current forecast was for a 2.5% increase from 1st August. The Principal updated Members as to the current negotiating position of the AOC and the unions and to the recommendation of the Human Resources Committee all of which would be considered in greater detail at the next F&GP Committee.

Impact of recent changes to the Teachers Pension Regulations

All teaching staff were contracted in unless they voluntarily opted out. This had led to an increase in employer contributions to the TPA from 9% to an estimated 14% this year.

(d) Energy efficiency savings

Savings were expected as a result of work to be undertaken as a result of the success of the College's application for a Salix grant. However, the impact of any savings would be negated by the high forecast increase in prices for energy.

(e) Reductions to the planned 08-09 Maintenance Investment Programme

Current budget restrictions meant that only essential works would be carried out. In order to meet the College's minimum requirement, an additional

estimated sum of £38k would be required. The Principal indicated some key areas of essential works and indicated that the effect of a reduced budget would mean that some internal decorating would therefore need to be sacrificed.

(f) Current capital allocation

The currently agreed 2% of base LSC income plus SRIP related expenditure would be insufficient to meet all priority 1 IT bids and the priority non-IT bids. Most of the budget would be allocated to "top priority" bids related to IT needs in each of the following areas: 1. Student needs, 2. Infrastructure needs, 3. Staff needs.

The Head of Finance asked the Committee for guidance on what assumptions to incorporate in the Forecasts for pay and it was agreed that she should produce 2 forecasts for further consideration at the next F&GP Committee.

28/08

To consider the updated Finance Strategy and Plan

The Principal introduced the item explaining that the Strategy and Plan are considered as a three year planning tool and that the College was currently in year 2 of a 3 year plan. The Principal referred members to the Review of Achievement in 06-07 and to the proposed update to the plan at June 2008 in which suggested changes were shaded for ease of reference.

Members considered the Aims and Objectives of the Strategy and Plan for 2007-2010 and suggested revised wording for the first aim, replacing the verb "maintain" with "to enable the educational services it has planned for the locality to be funded". The Principal agreed to consider this further before the next meeting of the Committee.

Further clarification was provided in relation to changes to certain aspects of the strategy and plan, as follows:

(a) Page 2 – Key Financial Performance Indicators

The Principal introduced the proposed changes to key indicators that responded to the new requirements for assessing the College's financial health under the new Framework for Excellence. She referred Members to the previously agreed "internal indicators" that the Corporation had agreed in addition to the external requirements. The Head of Finance explained that the three new indicators were those that she had identified as being achievable and consistent with the College maintaining a score of "Good" under the new Framework of Excellence. These were:

- to maintain a minimum current ratio of 1.2
- to maintain an operating surplus of more than 1% as a percentage of turnover
- to have a maximum total borrowing of 60% of reserves

The Principal reminded Members that, although the past history of the College had placed it consistently in a "Grade A" financial health band, the new funding methodology and grading system under Framework for Excellence" meant that "outstanding" would not be achievable. She considered that, in most years, the College would score a "Good". Members asked about the impact of borrowing necessitated by the Capital Project. The Head of Finance reassured Members that the LSC would treat this separately and that the impact would be limited, provided that the College returned to financial health within three years of the end of the project phase.

Following discussion, Members agreed that a final decision on the levels of the indicators would be postponed until the following meeting, pending further financial forecasting.

(b) Page 3 – Financial Management

It was proposed and agreed to delete the reference to an "Effectiveness and Efficiency Plan" since the Plan had now reached the end of its 2-year life and the College's financial position was improving.

It was noted that cash flow difficulties may result from the changes to funding methodology so that the cash balance would become an increasingly important area to monitor in future.

(c) Page 8 – College Accommodation and Equipment

Members noted the insertion of a new Objective: "To manage and monitor the effect of the new build project on the finances of the College".

Members discussed and agreed that the plan should read "regular reports should be given to F&GP" in addition to the normal reporting regimes. In addition, Members agreed that "progress on and financial impact of the Capital Project" should appear as a standing item on the F&GP agenda for the foreseeable future.

(d) Page 9 - Alternative Sources of Funding

Members agreed the proposed addition of "to expand the income from employer facing work, including full cost recovery" to the first aim. Members supported the continuing importance of this area of activity. The Principal explained that, in addition to the College's own priorities, this was a key area for consideration in relation to the Training Quality Standard (TQS). This was to replace the CoVE Standard. The College was applying for this Standard in the Care, ICT and Horticulture sectors.

(e) Page 14 – Objectives to support the Employer Responsiveness Strategy

The Principal presented the new set of objectives related to this strategy. Members welcomed these important additions.

In response to a question from the Chair, the Principal confirmed that the College had recently updated its employer brochure and that an employer event had been held the previous week that had provided valuable feedback to the College.

The documents were received for further amendment prior to the next F&GP meeting.

20:45pm The Deputy Clerk took over the role of Clerk to enable the Clerk to present the next report in his role as "College Administrator".

29/08 To consider for approval updated wording for the Employer Discretion Policy Statements as a result of the new LGPS from the 1st April 2008

There were no declarations of interest from Members as the changes related to support staff.

The College Administrator explained that the College's Discretionary Policy Statements needed updating in order for it to fully reflect the recent changes from the 1st April 2008 to the Local Government Pension Scheme. The College Administrator outlined the substantive changes made to the Policy.

20:55pm The College Administrator took back the role of Clerk

<i>The Committee approved the updated wording for the Employer Discretion Policy Statements and for their immediate publication.</i>
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30/08 To review Management Charges to the Salts Foundation

The Principal introduced the item and explained that the current arrangement with the Salts Foundation provided a small income stream for College and that the relationship had always been managed on the basis of mutual benefit. She explained that Corporation had recently expressed concern about the relatively low level of the charges that the College makes for its services in relation to the Foundation and that this item was intended to allow F&GP Members to review those costs in more detail. This would enable the F&GP to advise the Corporation in relation to the proposed new 5 year arrangement for the Managing Agency.

The Head of Finance then outlined each of the cost centres and how costs were applied. She explained that the management costs to the College were partially offset by the arrangements for room hire and College use of Victoria Hall facilities. She explained that the Victoria Hall was not yet making a profit although its income had improved considerably. It was to be anticipated that breakeven could be expected in 2 years time. In addition to the property management role provided by the Head of Estates and Facilities and his team, the Head of Finance had been retained by the

Foundation to prepare their general accounts. In response to a question from the Committee, the Head of Finance did not consider that the current arrangement posed "conflict of interest". She was satisfied that the Foundation's appointment of an honorary Treasurer was adequate at this stage.

A Member asked whether further consideration could be given to some form of merger with the Salts Foundation as a way of securing the investment in buildings within the main Saltaire campus. Members accepted the Management Charge as a reasonable basis for the future.

31/08 Any other business

- (a) The Head of Finance informed Members that she planned to purchase two copies of the CIPFA Guide for F&GP Members, one of which would be available for Members to borrow.
- (b) The Principal reminded Members that the Corporation Training session on 2nd July would consider the New Funding Methodology and Members were urged to attend this due to its strategic importance.
- (c) Dates of meetings to January 2009
 - (i) Tuesday 15th July 2008
 - (ii) Tuesday 23rd September 2008
 - (iii) Tuesday 2nd December 2008
 - (iv) Tuesday 13th January 2009

The meeting closed at 21.05pm.