

Minutes of the F&GP Committee held on 12 May 2009

Present: Mr M Murray (Chair)
Mr R L'Amie
Dr R Dugdale
Mrs J McAllister

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

Apologies: Mr M Dixon

Meeting commenced: 19:07 pm
Meeting closed: 21.10 pm

27/09 Disclosure of financial and/or personal interest

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

28/09 To agree agenda and order of business as circulated

The agenda and order of business was agreed as circulated.

29/09 To approve the minutes of the meeting held on 24 February 2009

The minutes were agreed as a true record.

30/09 Matters Arising

- a) 18/09 - The Head of Finance explained that she had not yet tested the market due to the poor interest rates on offer but was exploring a number of options.
- b) 20/09 – The Principal reported that it had not been considered necessary to open a voluntary severance scheme for staff.
- c) 22/09 – The Head of Finance updated the meeting following her discussions with the Internal Auditors regarding the setting up of new suppliers and the signing of cheques. She explained that the new Finance System had an audit trail facility to record all changes to suppliers. It had been agreed with the Internal Auditors that a routine to check the changes should be introduced and that the Financial Regulations be amended accordingly.
- d) 26/09 c) – The Principal informed the meeting of her initial handover meeting with the new Principal and the plans for future handover meetings. She also described the early stages of planning two separate retirement receptions, one for Stakeholders (date to be confirmed) and one for staff on Friday 3 July 2009.

31/09 To consider progress on Capital Project Property Developments

The Principal reported that she and the Head of Estates and Facilities had been concentrating time on raising the profile of the College's Capital Project locally, regionally and nationally. She reported on several contacts made with appropriate officers and others to articulate the College's special case in terms of the lease premium and the College's serious lack of accommodation. She informed the meeting that Philip Davies (MP) had asked a question in the House of Commons in order to draw attention to the uniqueness and the urgency of the College's position. She reported that, following a discussion with a Senior Officer at the LSC, a

recommendation would be considered to ring fence some Capital to help with the lease premium element of the Project.

The Principal informed members of a long meeting of the SMT with members of the Budget Committee to consider the options available in respect of the College's shortage of accommodation and preparations for next academic year. She explained that at short notice the College had been asked to make provision for 400 unemployed adults. She reported that the outcome of the meeting was that serious consideration should be given to purchasing 3 temporary portable classrooms to help meet the shortage of space, now exacerbated by this new development. This possibility would need to be carefully examined by F&GP and College Management. In answer to a question, the Principal informed members that, in the meantime, a Planning application would need to be submitted this week to erect the temporary buildings in the Exhibition Building car park. Members agreed that the application should be lodged at this stage as the matter was urgent. Members recognised that, should the decision to proceed with the temporary buildings not be taken, then the costs of the planning application would, in that event, have been unnecessary.

A discussion took place on the benefits of either purchasing or hiring the buildings and the options available to pay for them. The Head of Finance reported that she would be meeting with the College's Bank Manager to discuss the financing options.

In answer to a question the Principal told the meeting that a decision on the temporary accommodation would need to be made in the next few weeks, if the buildings were to be available for September..

The meeting agreed for Management to progress the plans and that Members of F&GP would join the Estates Committee meeting on 2 June for a joint item to consider any proposals. The Principal emphasised that if the project went ahead it was likely to reduce the College's Financial Health Score from good to satisfactory.

32/09 (i) To consider and receive the Bi-Monthly Management Accounts for the period to March 2009

The Head of Finance presented the Management Accounts.

She commented, in particular on the following: -

(a) Out-turn for the period

At 31 March 2009 the accounts showed a retained surplus of £58k compared to a budgeted surplus of £30k. At this point last year the College had a retained surplus of £100k.

(b) Income

Total income to 31 March 2009 was £5,053k, compared to a budgeted income of £5,075k. This represented a decrease of £22k. At this point last year income was £4,800k.

- o Base allocation - The 2008/09 allocation for Learner Responsive work was £5,122k. This had been allocated to the accounts on an equal monthly basis and included income of £3,416k exactly as budgeted. The 2008/09 allocation for Employer Responsive work was currently forecast at £432k and was

being paid on actual earnings. The income to 31 March 2009 was £252k compared to a budget of £163k.

The Principal reported that the College was likely to overachieve the Employer Responsive target but explained that the LSC could not afford to pay for any additional numbers.

- o Work Based Learning - £253k compared to the budgeted income of £253k.
- o E2E (work-based learning) - £76k, compared to a budget of £109k. The Head of Finance explained that this was believed to be a cash flow variance and that the forecast for the year would be received
- o Income from Schools - £71k, compared to a budgeted of £75k.
- o Tuition fees - £285k compared to a budgeted income of £290k.
- o Grant income - £34k compared to a budgeted income of £71k. The reduction reflected the inclusion of a provision for unidentified grant income in the budget, which had been achieved through additional Train to Gain funds received as part of the base allocation for Employer Responsive work.
- o Other income - Other income for the period was £165k, compared to a budgeted income of £86k, an increase of £79k. Included in income was the £91k refund for overpaid VAT in previous years. A £20k charge for professional fees relating to this refund was included in administration expenses.

(c) Expenditure

Total expenditure for the period to 31 March 2009 was £4,998k compared to a budgeted expenditure of £5,048k. This represents a decrease of £50k.

Of this, Pay expenditure for the period totalled £3,629k, compared to a budget of £3,609k, an increase of £20k.

Non pay expenditure was £1,369k, compared to a profiled budget of £1,439k, a reduction of £70k.

(d) Balance Sheet

Debtors - At 31st March 2009 trade debtors were £66,794 of which £19,310 had been outstanding over 60 days. The Head of Finance reported that it had been agreed to write off £475 relating to a November 08 invoice for one student. This had been chased and the College had been advised that the company had gone into administration.

Cash and Bank - Cash totalled £387,474 at 31 March 2009. This represented 19 cash in hand days based on the forecast income for the year.

Trade Creditors – There was only one outstanding balance on the purchase ledger at 31 March 2009 related to authorised invoices more than 30 days old.

(e) Financial Forecast

The financial forecast prepared in April 2009 showed a forecasted retained surplus for the year of £44k. 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 on the basis of the April 2009 Financial Forecasts and all other knowledge to date.

(g) Accounting ratios at 31st March 2009

	31/03/09	Target	31/03/08
Retained (deficit)/surplus as a percentage of income for the period	1.1%	Positive	2.1%
Cash days in hand	19	25	27.3
Current ratio	1.10	1.5	1.21
General reserve as a percentage of forecast total income for the year (excluding release of deferred capital grants)	8.1%	5	7.9%
Loans as a percentage of reserves	nil	Below 60%	nil
Staff costs as a percentage of income (excluding redundancy)	71.8%	N/a	70.4%

(h) Sensitivity

The five 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
- Capital project

The Committee received the report.

33/09 To consider an update of the 3-year Financial Forecasts.

The Head of Finance introduced the Financial Forecast update. She highlighted the overall position as follows.

- o 2008/09 The forecast showed a surplus of £39k compared to the previous forecasts surplus of £45k and a budgeted surplus of £44k.
- o 2009/10 The forecast showed a surplus of £62k compared with a previous forecast surplus of £67k.
- o 2010/11 The forecast showed a surplus of £59k compared with a previous

forecast surplus of £54k.

The Head of Finance explained that following a thorough review the outcome was showing a very similar position and reported that she had nothing to draw to the Committee's attention.

The forecasts were received.

34/09 To review the Treasury Management Policy

The Head of Finance took Members through the introductory paper drawing their attention to the following:

- a) For the majority of the year the College had taken advantage of the interest provided by Lloyds TSB for a 1% below base interest rate on all current account funds, linked to a free banking arrangement. Given the dramatic reduction in interest rates, this was not achieving any income for the College. Following its annual review of the Treasury Management Policy in January this year, F&GP had agreed for the College to consider alternative investment opportunities with a small range of investors. This process was being investigated to identify an alternative investment with perceived minimum risk.
- b) Borrowings had been within the LSC prescribed limits as the College had no bank loans. The overdraft facility had not been renewed in September 08 due to the high arrangement fee and the fact that the finance team had felt that, with careful management, this would not be needed. The bank balance had not dropped below £300k during the year.
- c) Creditors over 30 days had been low throughout the 12 month period.
- d) Debtors over 60 days had been low throughout the 12 month period.

Members received the report and agreed for management to continue to manage the cash and reserves as per the Policy.

35/09 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 following:

- "The effect of capital projects"
The Principal reminded members that the costs of the feasibility study would have to be treated as revenue if the project did not proceed or did not come to a more definite stage in time for the closure of the 2009 accounts.
- "Higher pay increases"
The Principal informed the meeting that, despite the economic downturn, there was likely to be pressure during the national negotiations for a settlement to take account of the continued differential between teacher and lecturer pay

"Failure of the College's 08/09 quest for alternative funding in late 09/10 to replace SRIP funds"

The Principal reminded members that she had regularly informed the Corporation that the forecasts assume the removal of expenditure to balance the loss of the SRIP income. A wide-ranging discussion took place. The Principal explained that alternative income streams were being sought but the College had not been successful in its recent bid to the Working Neighbourhoods Fund.

- "effect of the FRS17 provision on the College's net assets and therefore the College's ability to raise finance"
The Principal explained that, as already reported, the issue had been raised with the bank and indications were that funds could be secured if the College could demonstrate the ability to fulfil the loan repayments.

The report was received

36/09 To receive a recommendation for the premises lettings charges to apply for the period 1 August 2009 to 31 July 2010

The Principal introduced the item and explained that a full review had been undertaken and that the Committee was being asked to consider a proposal to restructure the lettings charges.

Members considered the full proposal including the introduction of 3 categories, as follows:

- a local and community groups rate which would be lower to encourage use
- a standard rate for private hire, public meetings and exhibitions
- a business/commercial rate.

The Committee considered the proposal and approved the recommendation for lettings charges for the period 1 August 2009 to 31 July 2010, including the community rate charge for staff hiring the premises as long as the reason for the hire is for personal use and NOT for personal gain.

37/09 Any Other Business

(a) Dates of meetings to December 2009

- i. Tuesday 23/06/09
- ii. Tuesday 14/07/09
- iii. Tuesday 22/09/09
- iv. Tuesday 01/12/09