

Minutes of the F&GP Committee held on 24 February 2009

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

In attendance: J Stott (Clerk)

Apologies: L Swift (Head of Finance)

Meeting commenced: 19.06 pm

Meeting closed: 20.59 pm

15/09 Disclosure of financial and/or personal interest

Dr L'Amie declared an interest in agenda item 7 due to being a Councillor with Bradford Council.

16/09 To agree agenda and order of business as circulated

The Principal informed the meeting that there would be an additional item of 'Any Other Business' to do with a new Partnership arrangement. The Chair asked for an update, under 'Any Other Business', on the recruitment process for a new Principal.

17/09 To approve the minutes of the meeting held on 13 January 2009

The minutes were approved.

18/09 Matters Arising

a) 09/09 The Principal explained that the Head of Finance had not yet tested the market to see if she could attract higher interest rates due to cashflow being at its lowest for the next 2 months and because there was some uncertainty about the amount and timing of Employer Responsive Income. The Head of Finance explained that she was looking to test the market in April when the cashflow improves.

19/09 To receive the Management Accounts for the period to January 2009

The Head of Finance presented the accounts for the period to the 31 January 2009.

(a) Out-turn for the period

The accounts showed a retained surplus of £29k compared to a budgeted deficit of £16k. At this point last year the college had a retained deficit of £46k.

(b) Income

Total income to 31 January 2009 was £3,701k, compared to a budgeted income of £3,782k. This represented a reduction of £81k. At this point last year income was £3,489k.

- Tuition fees - £182k compared to a budgeted income of £194k. The main reason for the reduction was a reduction in the number of claims processed through the Learner Support Fund due to an increase in the number of students remitted through Level 2 and Level 3 entitlement.

(c) Expenditure

Total expenditure for the period to 31 January 2009 was £3,674k compared to a budgeted expenditure of £3,801k. This represented a decrease of £127k. At this point in the previous year the expenditure had totalled £3,537k. Of this, Pay expenditure for the period totalled £2,678k, compared to a budget of £2,692k, a reduction of £14k reflecting savings made on vacant posts.

Non pay expenditure was £113k down on budget mainly due to savings on project expenditure, a delay in the MIP profiled spend for the year and various small reductions in expenditure due to changes in the planned spend profile.

(d) Balance Sheet

Debtors - At 31st January 2009 trade debtors were £72,134 of which £21,216 had been outstanding over 60 days. The main element related to two balances as follows:

Cash and Bank - Cash totalled £467,144 at 31 January 2009. This represented 22.9 cash in hand days based on the forecast income for the year. In answer to a question the Head of Finance explained this low balance was predicted as a result of the profiling of the LSC payments and that, as soon as this balance increased, steps would be taken to invest surplus funds with other reliable sources to increase the interest received. She also explained that there was no published payment profile from the LSC.

(e) Financial Forecast

The financial forecast prepared in February 2009 showed a forecasted retained surplus for the year of £49k. This full year forecasted figures had been used for comparison in the report.

(h) Accounting ratios at 31st January 2009

	31/01/09	Target	31/01/08
Retained (deficit)/surplus as a percentage of income for the period*	0.8%	1%	(1.3%)
Cash days in hand	22.9	25	34
Current ratio	1.09	1.2	1.01
General reserve as a percentage of forecast total income for the year (excluding release of deferred capital grants)	7.3%	5	5.8%
Loans as a percentage of reserves	nil	Below 60%	nil
Staff costs as a percentage of income (excluding redundancy)	73.8%	N/a	71.7%

The Committee received the report.

20/09 To consider an update of the 3-year Financial Forecasts.

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

- 2008-09 The forecast showed a surplus of £45k compared with a budgeted surplus of £50k and the previous forecast surplus of £44k.
- 2009-10 The forecast showed a surplus of £67k compared with a budgeted surplus of £65k.
- 2010-11 The forecast showed a surplus of £56k compared with a budgeted surplus of £57k.

The Principal informed the Committee that they were ongoing discussions with the LSC regarding the 2009/10 allocation. The current indication was that the allocation was likely to be less than expected. She explained that it was too early to decide whether or not to open a voluntary severance scheme but 2009/10 would be a tight year and efficiencies would be needed.

The report was received.

21/09 To consider Progress in the Capital Project Property Developments

The Principal referred to the Risk Assessment, sent to Members, in relation to the College's Capital Project Application in Principle (AIP) and the LSC's announcement to defer decisions on AIPs and Applications for Detailed Support (AIDs) until the National Capital Committee meeting in March 2009.

She thanked Members for their emailed support to continue the project and asked that the Committee now formally endorse the decision to continue.

Following a brief discussion the Committee agreed to formally endorse the decision to continue with the College's Application in Principle.

22/09 To consider changes to the Financial Regulations arising from the introduction of a new finance system in March 2009

The Head of Finance introduced the item and explained that as a result of the transfer to a new Finance system in March there was a need to change the Financial Regulations to reflect changes in practices and procedures. She explained that the two main changes were to the areas of purchasing and banking and she took the members through the main changes.

The meeting was informed that the proposed changes to the Financial Regulations had been discussed with the Internal Auditors who were pleased that the changes were being considered in advance of the transfer and that they were in agreement with the revised wording.

A member raised a possible concern regarding regulation 7.2.1.10 which states the Head of Finance must approve new suppliers and 8.2.2 which states that the Head of Finance is one of two signatories for signing cheques and that the same person should not undertake both roles.

The setting up of a new supplier was explained along with the process for signing cheques. However, it was acknowledged that an unscrupulous employee could possibly act fraudulently.

Following a discussion it was agreed that the proposed changes to the Financial Regulations be adopted and that the Head of Finance should undertake further discussion with the Internal Auditors over the Committee's concern.

The Principal thanked the committee for their diligent attention to detail and their intervention to ensure the College maintains high financial standards.

A discussion on on-line ordering and the rigorous checking of orders against delivery notes and the goods actually delivered took place.

Finally, the Head of Finance gave details of the many benefits of the new Finance System and said that the Finance Team were really looking forward to its introduction.

23/09 To receive a progress report on the operational effectiveness of the Risk Management Plan with respect to financial issues

The Principal drew members' attention to the detail of the report. She explained that this was the in-year review based on a recent update of the Risk Register and Risk Management Plan. There were currently five risks that had been assessed as significant. In particular she highlighted the following:

- Ref 2g – *The uncertainties regarding Employer Responsive Income 2008/09*
- Ref 2h – *The effect of capital projects and changes to LSC Policy*: She reminded the meeting that Members had endorsed the College's decision to proceed with the development of the AIP.
- Ref 2j – *The effect of changed FE priorities and funding allocations on the financial health of the College*
- Ref 2n – *The failure of the College's 08/09 quest for alternative funding in late 09/10 to replace SRIP funds*: The Principal explained that the assessment of this risk had been increased to significant. The forecasts currently assume the removal of expenditure to balance this loss of income.
- Ref 2p – *The effect of the FRS17 provision on the College's net assets and therefore the College's ability to raise finance*: The Principal explained that the College's Heads of Service Team (HOST) had recorded this as a new risk in the register and had assessed it as 'significant'. The meeting was provided with full details of the effect of FRS17 on the accounts. Unlike most Colleges, the cost of the FRS17 provision in the accounts cannot be offset by the value of the College's inherited estate. The meeting was told that the effect of this could cause difficulties in regard to securing a loan. However, the bank had indicated that the College could secure funds if it was able to demonstrate the ability to fulfil the loan repayments. The Principal explained that she wanted to ensure that the Committee was fully aware of and briefed regarding this significant risk and were clear regarding the likely implications for the College's balance sheet at the end of the financial year. Members felt they were fully briefed and a suggestion was made to consider revaluing the Mill Building to increase the college's assets.

The report was received.

24/09 To consider the 2009/10 Fee and Remission Policy to recommend to the Corporation

The Principal presented the item. She explained the proposal to increase fees by up to 13.8% to be in line with the changes to LSC funding in relation to the assumed fee element.

Members were concerned about a 13.8% increase but the Principal emphasised that any increase would be **up to** 13.8% and that an element of 'market' sensitivity should continue to allow the Senior Management Team to set a higher, lower or frozen fees to enable targets to be met and to further the College's objectives.

The Head of Finance explained the detailed approach to setting an individual course fee, which took into account of market sensitivity, type of course, availability of provision and the pricing policy of local Colleges.

A discussion took place and members asked that the College should carefully use market sensitivity when pricing course.

The Committee agreed to recommend the Fee and Remission Policy to the Corporation for approval.

25/09 To receive, for information, an interim report on the Student Union (Income and Expenditure) end of year accounts to January 2009

The Head of Finance presented the report. The report was received.

26/09 Any Other Business

(a) Dates of meetings to December 2009

- i. Tuesday 05/05/09
- ii. Tuesday 23/06/09
- iii. Tuesday 14/07/09
- iv. Tuesday 22/09/09
- v. Tuesday 01/12/09

(b) To receive details of a new Partnership arrangement

The Principal informed the meeting that new partnership arrangements are brought to the F&GP committee for endorsement. She explained that the Company (Elite Top Guards) had approached the College with an opportunity to partner them to deliver two NVQ qualifications. The agreed financial relationship is that the College will retain 15% of all the income as a management fee.

Following a discussion members agreed to endorse the new partnership arrangement.

(c) To receive an update on the process for the Principal's replacement

The Principal explained that there was a strong field with 17 applications received. She reported that she would be meeting with the two assessors on the 25 February to provide the Corporation's Selection panel with a long list for shortlisting. The panel would then

consider the applications and reduce the numbers to a shortlist to interview.

The report was received.