

## Minutes of the F&GP Committee held on 13 January 2009

Present: F&GP Members      Mr M Murray (Chair)  
   Dr R L'Amie  
   Mr M Dixon  
   Mrs J McAllister

Present: Estates Members for item 4      Mrs M Hopwood  
   Mr M Dixon

In attendance:              L Swift (Head of Finance)  
   J Stott (Clerk)  
   I Durham (Head of Estates & Facilities) (For item 4)

Apologies:                  Dr R Dugdale  
   Mr P Brown & Mrs M Damant for item 4

Meeting commenced:    19:04 pm  
Meeting closed:            21.44 pm

### **01/09      Disclosure of financial and/or personal interest**

Dr R L'Amie disclosed an interest in agenda item 4

### **02/09      To agree agenda and order of business as circulated**

The agenda and order of business was agreed as circulated.

### **03/09      To appoint Chair and Vice Chair of the Committee**

- (a) The Clerk introduced the item and asked for nominations for the position of Chair of the Committee. Mick Murray was proposed, seconded and agreed to continue as Chair.
- (b) The Chair of the Committee asked for nominations to the position of Vice Chair. Malcolm Dixon was proposed, seconded and agreed to act as Vice Chair.

### **04/09      To give further consideration to the draft of the "Heads of Understanding" document between Bradford Council and Shipley College regarding site acquisition for the Capital Project (Joint item with the Estates Committee)**

The Principal introduced the item and reminded members of the series of changes that has resulted in the latest version and that it is not a legal document.

In answer to a question the Principal informed the meeting that the LSC has put on hold most College's Capital applications until March 2009 when the position will be reviewed.

The Head of Estates and Facilities referred to the changes from the previous version which was at sections 5.5, 5.6 and 6.2(i). He explained the reason why it was leasehold was so the College could not sell the land in the future.

A discussion on how long the Council will keep the land for the College took place. Members believed that as long as the project was not "pie in the sky" and remained an active project the Council would keep the land for the Council.

The Head of Estates and Facilities tabled drawings for the Shipley Town Centre and Gaisby Lane developments and described the plans for both sites. He reported on a very positive meeting with the Planning Department.

In answer to a question the Head of Estates and Facilities explained that the Heads of Understanding is more than a letter but is not a Heads of Terms, it is not a legal document and it is robust enough to support the Application in Principle. He also clarified that the enabling works will include a full clean up of the sites, including dealing with any contamination and that Bradford Council will pay for the works.

In answer to a question it was confirmed for members that Bradford Council totally owns the Shipley Town Centre site and part owns the Gaisby Lane site with the Highways Agency. The Highways Agency has agreed to sell the land to Bradford Council for a nominal sum and they are aware the land will be passed on to the College.

The Head of Estates and Facilities explained that there are still meetings to arrange with Sport England, the Environment Agency and for alterations in Saltaire a meeting with English Heritage.

In answer to a question the Principal explained that the LSC's decision to review capital applications in March has caused some College's difficulties as they have contractors on standby and students in temporary accommodation. She felt the decision will cause some delays but we are hoping the College's Project will still be included and are progressing on this basis. The Head of Finance believed the issue to be a timing of the spend rather than the quantity of the spend. She explained the LSC are looking to spread the spend over 5 years and not 3 as a number of projects have come to the final stage at once. The LSC will also be looking at the deliverability of the project and it was confirmed that the College's project should be deliverable.

The Principal reported that the College has been invited to a meeting with the LSC on the 15 January 2009 where she is hoping to receive more information.

She reported that this financial year the College would start to spend its own money on the feasibility study (approx. £9k to date) and this has been reported on in the Risk Management Report update later in the agenda.

In answer to a question the Head of Estates and Facilities updated the meeting on the progress with the Salt Foundation regarding the lease premiums.

Following the discussion the meeting agreed for the Heads of Understanding to be finalised with Bradford Council and for it to accompany the Application in Principle.

Mrs M Hopwood and Mr I Durham left the meeting.

**05/09**

**To approve:**

**i) the minutes of the meeting held on 23 September 2008**

The minutes were approved.

**ii) the minutes of the Special meeting held on 16 December 2008**

The minutes were approved.

**06/09**

**Matters arising:**

**i) Minutes of 23 September 2008**

There were no matters arising

**ii) Minutes of 16 December 2008**

There were no matters arising

**07/09**

**To:**

**i) receive the bi-monthly Management Accounts for the period to 30 September 2008**

The Accounts to September 2008 were received

**ii) consider the bi-monthly Management Accounts for the period to 30 November 2008**

**(a) Out-turn for the period**

The accounts showed a retained deficit of £25k compared to a budgeted deficit of £60k. At this point last year the college had a deficit of £116k.

**(b) Income**

Total income to 30 November 2008 was £2,434k, compared to a budgeted income of £2,487k. This represented a decrease of £53k. At this point last year income was £2,308k.

- o Base allocation - The 2008/09 allocation was for £5,366k. This had been allocated to the accounts on an equal monthly basis as previously agreed.

- Work Based Learning – Income from the LSC Work Based Learning contract was £85k compared to the budgeted income of £113k. She reported no payment has yet to be made for November.
- Other LSC Income - £220k compared to a budget of £293k. This reduction reflects the inclusion of a provision for identified grant income in the budget, which has been received as part of the base allocation for Employer Responsive work.
- E2E - £44k, compared to a budget of £54k.
- Income from Schools - £32k, compared to a budgeted of £33k.
- Tuition fees - £101k compared to a budgeted income of £113k. The main reason for the reduction is 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.

A comment was made that the credit crunch did not appear to have significantly hit tuition fee income but it would need to be carefully monitored in 2008/09.

- Grant income - £9k compared to a budgeted income of £2k.
- Other income - £46k, exactly as budgeted.

### **(c) Expenditure**

Total expenditure for the period to 30 November 2008 was £2,460k compared to a budgeted expenditure of £2,549k. This represented a decrease of £89k. At this point in the previous year the expenditure had totalled £2,425k. Of this, Pay expenditure for the period totalled £1,761k, compared to a budget of £1,1790k, a reduction of £29k. This was largely due to savings on vacant posts, some of which are being by agency staff. Expenditure on Non-pay was £699k compared to the profiled budget of £759k; a reduction of £60k.

### **(d) Balance Sheet**

Debtors - At 30 November 2008 trade debtors were £56,064 none of which had been outstanding over 60 days.

Cash and Bank - Cash totalled £995,104 at 30 November 2008. This is represented 49 cash in hand days based on the income for the year.

Level of borrowings - The College had no bank borrowing at 30 November 2008 and 2 financing agreements outstanding of £12,549 taken out to take advantage of zero percent interest deals.

Trade Creditors - There were some small outstanding balances on the purchase ledger at 30 November 2008, relating to authorised invoices, which were more than 30 days old.

**(e) Financial Forecast**

The financial forecast prepared in January 2009 showed a forecasted retained surplus for the year of £50k. These full year forecasted figures have been used for comparison in this report.

**(f) Cashflow Forecast**

The Head of Finance explained that the cash flow projections had been prepared as at 31 January based on all knowledge to date. This results in a reducing balance for 2008/09 due to the impact of the SRIP income. The cash balance is then stable in 2009/10.

It was noted that the minimum cash balance predicted was 14 days in hand, for 2008/09 and 10 cash days in hand for 2009/10 against the Corporation's target of 25. The low minimum balance is mainly due to the effect of the revised LSC payment profiles in line with changes to the payment of Employer Responsive income.

**(g) Other Matters**

The number of staff in post at 30 November 2008 quoted as FTEs, was analysed as follows: -

Support staff:

Teaching support	27 (2007 – 22)
General admin & support	54 (2007 – 50)

Full-time & proportional lecturers:

Lecturing roles	56 (2007 - 57)
Support roles	8 (2007 – 7)
Part time lecturers	18 (2007 – 17)

The Head of Finance explained that a reason for the increase of FTE Support Staff is the appointment of two externally funded posts and more Learning Support Assistants.

The number of students enrolled - provisional figures from Registry for 2008/09, indicated 644 16-18 full time and part time numbers against a target of 760. The provisional enrolment for other students was 2343 against a whole year target of 3326, including apprentices.

**(h) Sensitivity**

The four main areas the College identified as critical were as follows: -

Level of enrolments

The Head of Finance explained that for 2008/09, if the Employer Responsive income target was not met then this would reduce income in year. A shortfall in Employer Responsive income of 5% would reduce income by £20,900.

### Grant and Other LSC Funding

The forecast income from grants and other LSC funding for 2008/09 was £665k. If this income dropped 5% below the estimate, this would reduce forecast income by £33,250.

### Work Based Learning Income

The forecast income for Work Based Learning (for both contracts) was £589k adjusted to reflect the actual anticipated income. If there were a further fall of 5% in this income, this would be equal to £29,450.

### Tuition Fee Income

The forecast income for tuition fee income was £447k. If there was a fall of 5% in this income, this would be equal to £22,350.

### Capital project

The LSC guidance on the accounting treatment for pre project costs is that they should only be capitalised if the College can demonstrate that in the College's opinion the project is more likely than not to go ahead. The costs to 31 July 2008 are capitalised but fully covered by grant funding from the LSC and Airedale Regeneration. During 2008/09 the College will incur costs which are not grant funded. These are currently being capitalised on the grounds that it is currently fully expected that the project will go ahead. Should this opinion change before the 08/09 accounts are finalised, then the costs would need to be treated as revenue. As at 30 November 08 this would increase expenditure by £9047

### **(i) Accounting ratios at 30 November 2008**

	30/11/08	Target	30/11/07
Retained (deficit)/surplus as a percentage of income for the period	(1.0%)	Positive	(5.2%)
Cash days in hand	49	25	44
Current ratio	1.06	1.5	0.95
General reserve as a percentage of forecast total income for the year (excluding release of deferred capital grants)	6.7%	5	4.9%
Loans as a percentage of reserves	nil	Below 50%	nil
Staff costs as a percentage of income (excluding redundancy)	73.8%	N/a	69.3%

The Committee received the report.

## **08/09 To receive the 3-year Financial Forecast Update**

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

- 2008/09 The forecast shows a surplus of £50k compared to the previous forecast surplus of £48k.
- 2009/10 The forecast shows a surplus of £65k compared with the previous forecast surplus of £86k.
- 2010/11 The forecast shows a surplus of £57k compared with the previous forecast surplus of £73k.

Overall the College needs to try to ensure that forecast surpluses for future years i) demonstrate the ability to finance the interest payments on the future loan relating to the capital project and ii) take account of their effect on the College's overall Framework for Excellence (FFE) Financial Health Score, surpluses being one of the 3 elements of this score. This score is also very sensitive to the small changes in the College's current ratio, the 2<sup>nd</sup> element of the score. The 3<sup>rd</sup> element, the level of borrowing is not currently forecast to be problematic to the College. The College is actively managing the balance between the 3 elements.

The Head of Finance provided examples of how sensitive the FFE Financial Health Score is and that she will have to manage the College's current ratio very carefully. The Principal informed members that this paragraph will continue to be reported on in future reports.

The report was received.

## **09/09 To undertake an annual review of alternatives for cash investment**

The Head of Finance presented a paper setting out the alternatives for cash investment. She explained that for the December 2007 F&GP her paper proposed to continue maintaining surplus funds in the current account attracting 1% below base rate which was agreed. This was mainly due to a variety of factors reducing the College's flexibility in relation to cash flow.

Given the current climate, she explained it may be wise for the College to try to spread its funds to minimise risk, although Lloyds TSB is still a very highly rated organisation, and to try to maximise interest rates to achieve the targeted interest received for the year. Good rates have been received from the Bank of Scotland who are actively chasing the College's business.

It is therefore proposed that the Head of Finance starts a schedule of rolling investments of modest sums of say £50,000 to attract higher interest rates and still provide assurance of short term funds.

*The Committee agreed for the Head of Finance to test the market to see if she can attract higher interest rates from major UK Banks, Building Societies or Clearing Banks.*

**10/09 To undertake the annual review of the Finance Plan**

The Principal introduced the revised Finance Plan and asked members to accept it as an in-year progress report.

The Committee received the progress report.

**11/09 To consider a progress report on the operational effectiveness of the Risk Management Plan with respect to financial issues**

The Principal introduced the item and highlighted, in particular, the following:

- The uncertainties regarding Employer Responsive income in 2008/09 which is a new risk.
- The impact of the three new Financial Key Performance Indicators which is a new risk
  - financial health
  - financial management, and
  - use of resources
- Failure of the College's 2008/09 quest for alternative funding in late 2009/10 to replace SRIP funds.

The report was received.

**12/09 To receive an update on current issues regarding tendering for services.**

The Head of Finance introduced the item and highlighted the following:

**BANKING** – The service is considered to be excellent value with sector LSC funded Capital projects. It is felt that the timing for a change in banking would be inappropriate given the acceleration of the Capital bid and the good relationship with Lloyds TSB and their good links with the LSC. It was proposed that the College continues with Lloyds for a further 12 months or a longer period to be agreed without further value for money checking.

Following a discussion members agreed the proposal for an extension of 12 months to April 2010.

**PROPERTY CONSULTANCY** - It is felt that the timing for a change in the Property Consultancy would be inappropriate given the acceleration of the Capital bid.

It is proposed that that a further roll-over of the contract is agreed for a period of 12 months.

Following a discussion members agreed the proposal for an extension of 12 months to December 2009.

**CLEANING** - It is noted that the Cleaning tender took place in the later part of 07/08 under full EU regulations. As this was the first tender to

be undertaken by the College under these rules it was agreed by FMG that an external specialist firm Tenet should be used and this proved a very useful service. As a result the contract has been retained by the incumbant supplier, but on an improved contract basis. This included a small reduction in cost but an increase in the staff payments to try to improve retention, plus improved management controls.

**CATERING** - It was established that the catering contract is not subject to EU regulations and as a new lower contribution rate was agreed with the current supplier. The contract was renewed for the 08/09 academic year

**STUDENT SOFTWARE** - As a result of the benchmarking exercise the College decided to change suppliers as an offer was received to match the current routine costs with no up front capital cost and increased functionality.

The report was received.

**13/09 (a) To review the Terms of Reference of the Committee**

No changes were proposed to the Committee Terms of Reference.

**(b) To identify any training needs for the Committee or individual members**

Following a discussion it was agreed to include a training item on FRS17 and the "raising funds & the state of the money markets" either later in the academic year or in the Autumn Term.

**14/09 Any Other Business**

**(a) Dates of meetings to December 2009**

- (i) Tuesday 24<sup>th</sup> February 2009
- (ii) Tuesday 5<sup>th</sup> May 2009
- (iii) Tuesday 23<sup>rd</sup> June 2009
- (iv) Tuesday 14<sup>th</sup> July 2009
- (v) Tuesday 22<sup>nd</sup> September 2009
- (vi) Tuesday 1<sup>st</sup> December 2009

**(b)** In answer to a question the Principal updated the meeting on the progress towards arriving at an advert and press release regarding the Principal's replacement and retirement respectively.