

## Minutes of the F&GP Committee held on Tuesday, 23<sup>rd</sup> September 2008

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

In Attendance: Mrs S Shaw (Deputy Clerk)  
Mr J Stott (Clerk)  
Mrs L Swift (Head of Finance)

Apologies: Dr R Dugdale

Meeting commenced: 19:05

Meeting closed: 20:30

### **43/08 Disclosure of financial and/or personal interest**

There were no declarations of financial or personal interest.

### **44/08 To agree agenda and order of business as circulated**

The agenda and order of business were agreed as circulated.

### **45/08 To approve the minutes of the meeting held on 15<sup>th</sup> July 2008**

The minutes of the meeting held on 15<sup>th</sup> July were approved as a true record.

### **46/08 Matters Arising**

- (a) The Head of Finance confirmed that the extension of the Victoria Hall Managing Agency had been confirmed by Corporation and had now been agreed in writing with the Salts Foundation.

### **47/08 To consider the Draft End of Year Accounts for the period to 31 July 2008**

The Head of Finance presented the item and explained that the Draft Year End Accounts were very close to the July forecast and showed an improved financial situation. She confirmed that the External Financial Auditors were currently reviewing the accounts. She then went through the report in detail as follows: -

## **Out-turn for the period**

The accounts showed a retained surplus before FRS17 adjustments of £73k compared to a budgeted surplus of £4k. At this point last year, the College had a retained surplus of £17k.

## **Income**

Total income to 31 July 2008 was £7,210k, compared to a budgeted income of £7,222k. This represented a decrease of £12k. At this point last year income was £7,122k.

*LSC Base allocation* - The 2007/08 allocation was for £5,134k and this was the figure shown in the accounts.

*LSC Work Based Learning* - Income from the LSC Work based learning contract was £440k compared to the budgeted income of £316k. This reflected the increase in the contract value as a result of the addition of the Horticulture element and a funded overachievement of the contract.

*Other LSC Income* - Income from Other LSC sources was £571k compared to a budget of £798k, a reduction of £227k. £35k of this reduction related to reduced Train to Gain income, with a £27k reduction in expenditure. £138k related to the Learning Line and CDI centre projects (SRIP). The income for these projects had been rephased in line with changes in the project criteria. In addition there had been a reduction in the original planned expenditure for these projects of £37k on Part Time Lecturing staff and £69k on non pay items.

*E2E* - Income from the E2E work based learning contract was £145k, compared to a budget of £190k.

*Income from Schools* - The income from schools was £62k, compared to a budgeted income of £70k.

*Tuition fees* - income relating to this period was £442k compared to a budgeted income of £415k.

*Grant Income* - for the period to 31 July 2008 was £119k compared to a budgeted income of £51k. This represented an increase in new grants received during the year.

*Other Income* - for the period was £159k, compared to a budgeted income of £114k.

## **Expenditure**

Total expenditure for the period to 31 July 2008 was £7,141k compared to a budgeted expenditure of £7,222k. This represented a decrease of £81k. At this point in the previous year the expenditure totalled £7,108k.

*Pay expenditure* - for the period totalled £5,165k, compared to a budget of £5,305k, a reduction of £140k. This reflected savings as follows: -

- Savings on vacant posts, net of agency staff costs to the value of £48k this year
- Savings on PTL staffing, including the saving on SRIP projects and Train to Gain. This reflected the tight controls on the PTL budget.

*Non-pay expenditure* - was £1,976k compared to the profiled budget of £1,917k

## **Balance Sheet**

*Debtors* - At 31 July 2008 trade debtors were £9,498 of which £150 had been outstanding over 60 days. This had since been paid.

*Cash and Bank* - Cash totalled £827,014 at 31 July 2008. This represented 43 cash in hand days based on the income for the year.

*Level of borrowings* - The College had no bank borrowing at 31 July 2008.

*Trade Creditors* - There were 3 small outstanding balances on the purchase ledger at 31 July 2008, totalling less than £1000, relating to authorised invoices, which were more than 30 days old. These had been paid immediately following the year end.

## **Financial Forecast**

The financial forecast prepared in July 2008 showed a forecasted retained surplus for the year of £75k.

## **Cashflow Forecast**

The average balance predicted was 40 days in hand for 2007/08 and 25 cash days in hand for 2008/09. The decrease was due to the combined effect of the SRIP income and the revised LSC payment profiles in line with Employer Responsive income for 08/09.

The minimum balance for 2007/08 equated to 28 cash days in hand, against the Corporation's target of 25. The minimum balance predicted for 2008/09 equated to approximately 17 cash days in hand.

## Other matters

*Number of Staff in Post and Students enrolled.*

Members noted the number of staff in post and the numbers of students enrolled.

## Sensitivity

The Committee noted the areas of sensitivity.

## Accounting ratios

Based on these management accounts, compared to the ratios for the same time last year, the major ratios at 31 July 2008 were: -

	31/07/08	Target	31/07/07
Retained (deficit)/surplus as a percentage of income for the period	1.03%	Positive	0.37%
Cash days in hand	43	25	32.6
Current ratio	1.2	1.5	1.14
General reserve as a percentage of total income for the year (excluding release of deferred capital grants)	7.6%	5	6.8%
Loans as a percentage of reserves	nil	Below 50%	nil
Staff costs as a percentage of income (excluding redundancy)	71.1%	N/a	72.6%

The report was received and the Chair asked for questions.

A member asked whether the decreasing trend in tuition fees from the Horticulture Sector was likely to continue and how this could affect future provision. The Principal and Head of Finance acknowledged the trend and confirmed that management were satisfied that they had undertaken a sufficiently detailed assessment of the market and the fees that the market could bear in this Sector.

A member asked about the "long term provision" of £265k under "Liabilities" in the balance sheet. The Head of Finance clarified that this related to a closed pension fund to meet the needs of past employees and that any surpluses within this provision would be posted to the General Reserve.

The Chair of the Committee wished to thank the Head of Finance for her accurate forecasting and the clarity and quality of her written reports.

#### **48/08 To receive the 3-year Financial Forecast update**

The Head of Finance presented the report.

She presented the overall position for the following 3 years as follows:

2008/09	surplus of £44k exactly as budgeted
2009/10	surplus of £80k compared to previous forecast surplus of £105k
2010/11	surplus of £94k compared to previous forecast surplus of £121k

She then took Members through the September update of changes from the budget and the previous forecast.

Members noted that overall the College needed to ensure that forecast surpluses for future years demonstrated the ability to finance the interest payments on a future loan relating to the capital project.

Members noted that the full effect of the new funding methodology had not yet been felt with some payments being made to profile rather than in arrears.

**Members noted and approved the advice of the College's Bank Manager to let the overdraft facility of £200k lapse at the end of September due to the high cost of the fees for a renewed facility and the lack of forecast need for an overdraft for the time being.** The Head of Finance explained that the College would need to go out to tender for its banking services in respect of the Property Strategy and that lending would need to be built into this.

The forecasts were received and the Chair thanked the Head of Finance once again for the clarity and quality of her forecasting documentation.

#### **49/08 To receive an update on the Capital Project Property Developments**

The Principal provided a general update. She explained that work was ongoing to produce outline schedules of accommodation and that a lot more detailed work was required before the final Application in Principle could be considered by F&GP and the Corporation.

She explained that the Senior Management Team had received a detailed report about the College's future connectivity requirements and that the F&GP Committee would be kept informed of updates in this area. A member expressed a concern about the security and health issues involved in wireless connectivity and the Principal agreed that this would be explored.

She informed Members that a series of meetings had been held with Bradford Council's Director of Regeneration and senior regeneration officers of the Council. She considered that the Director now had a clear

understanding of the rationale for the College's Property Strategy and how this fitted into the wider regeneration strategy within the District. Authorisation had now been given to officers to work at a more detailed level and to assist in the identification of a suitable site in the centre of Shipley and on Gaisby Lane. In response to a question, the Principal explained that various sites within the Council's existing asset base were being explored.

The Principal explained that the Application in Principle (AIP) would not be ready for the December Corporation. Members would be involved in the consideration of the costings in the AIP over a series of meetings in the coming months.

In response to a question, the Principal confirmed that the Salts Foundation had agreed to appoint an agent with whom the College could begin negotiations regarding the lease premium arrangement.

A discussion followed about the possible impact of the "credit crunch" on the ability of the College to borrow.

**20:00 Roger L'Amie left the meeting.**

**50/08 To receive a progress report on the operational effectiveness of the Risk Management Plan with respect to financial issues**

The Principal presented the progress report. She drew Members' attention to a 4-day network down-time. A full report had been received from the Head of ILT Services. The issue would be discussed in more detail at the Audit Committee. However, as the down time had affected financial routines for a week, just at the "year end" period, the Principal considered that the F&GP Committee should be aware of this incident. The Principal was satisfied that the incident had been fully investigated and that measures had been taken to mitigate against a future recurrence.

The Principal went through the progress report in detail. Members received the report.

**51/08 To receive an annual report on Procurement during the year ended 31 July 2008**

The Principal explained that this was the first annual report on the College's procurement process as provided for in the Procurement Strategy agreed by F&GP last year in response to new Government policy. She explained that, as set out in the Strategy, the Heads of Service Team convened by the College Administrator were responsible for overseeing the College's procurement process.

The Head of Finance then presented the first Annual Report on Procurement.

She reported that the use of the Crescent Purchasing Consortium (CPC) and the Office of Government Commerce (OGC) had resulted in some useful savings during 2007-08.

It was noted that the Head of Finance now completed a quarterly return to the LSC updating the progress of efficiencies made through procurement and other measures.

Members noted that the College had received good energy ratings on all three of its buildings and that this was very reassuring given the historic nature of the buildings.

The report was received.

#### **52/08 To receive the Student Union End of Year Accounts to 31 July 2008**

Members noted the balance carried forward at 31<sup>st</sup> July 2008 as £1,861.52. It was noted that there had been only 90 new members of the union during the year, generating £180 in subscriptions and that the expenditure of £670.04 related exclusively to NUS affiliation fees for 2007-08 and 2008-09 and to payments due for NUS cards sold. No other student related expenditure had been recorded during 2007-08.

#### **53/08 Any other business**

The Chair of the Committee noted that this had been David Quail's last F&GP meeting following 12 years of Corporation membership. The Chair thanked David for his "conscientious, astute and razor sharp contributions" and said that he would be missed both as a member of the Committee and the wider Corporation. The Principal echoed the comments of the Chair and acknowledged that he had personally contributed greatly towards the "outstanding" grade for governance received by the College in its Ofsted Inspection. This had assessed Governors as being challenging, rigorous and supportive in exercising their role.

Members looked forward to thanking David again at the full Governing Body Meeting in October.

Dates of meetings to end of December 2009

- (i) Tuesday 02/12/08
- (ii) Tuesday 13/01/09
- (iii) Tuesday 24/02/09
- (iv) Tuesday 05/05/09
- (v) Tuesday 23/06/09
- (vi) Tuesday 14/07/09
- (vii) Tuesday 22/09/09
- (viii) Tuesday 01/12/09

There was no other business.

**The meeting concluded at 20:30pm**