

## **APPROVED Minutes of the F&GP Committee held on Tuesday, 2<sup>nd</sup> October 2007**

Present: Mr M Murray (Chair) – arrived 19:09pm  
Mr R L'Amie  
Mr D Quail  
Mrs J McAllister

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

Apologies: Mr M Brannan  
Mr M Dixon

Meeting commenced: 19:07 pm

Meeting closed: 20.25 pm

Due to the late arrival of M Murray, D Quail agreed to take the Chair. The Head of Finance introduced S Fletcher who would attend the next meeting of the Committee in the absence of the Head of Finance.

### **56/07 Disclosure of financial and/or personal interest**

Staff members and D Quail for item 5.

### **57/07 To agree agenda and order of business as circulated**

The agenda and order of business was agreed.

The Principal explained that she would present items, 5, 8 and 9.

The Principal reported that she had met, on 2<sup>nd</sup> October, the Minister with responsibility for the new Department for Innovation, Universities and Skills, together with a number of other West Yorkshire Principals. The Minister had wanted to hear views about how the recent changes in Government Organisation would affect the FE Sector. The meeting had been short but the Principal felt that useful points had been made.

19:10pm M Murray took over as Chair.

### **58/07 To approve the minutes of the meeting held on 17<sup>th</sup> July 2007**

At item 52/07, page 6(h), it was agreed, for the sake of clarity, to insert the word "necessarily" between "competitive tender" and "every three to five years". The Head of Finance explained that all contracts over £5k are reviewed periodically for best value. If payroll and property consultancy were ever to exceed £30k per year, then it would be necessary to go to competitive tender.

With this amendment, the minutes were approved.

- (a) at Page 1, 46/07 (b) the Principal reported that she had received verbal confirmation that the 50% costs towards the feasibility stage of the Property Strategy had been approved. She reminded members that, if the Property Strategy went ahead, this expenditure could be capitalised. If not, it would need to be recorded on the I&E Account. The auditors had confirmed that the costs could continue to be capitalised from one financial year to the next whilst the project remains "live".
- (b) The Chair asked for an update on the search for appropriate sites. The Principal confirmed that the College had a number of sites in mind but that these would remain confidential for the time being.
- (c) At Page 6 (f) and (k), D Quail asked whether delegated budget-holders were aware of the proposed changes of wording. The Head of Finance confirmed that they were.
- (d) The Head of Finance informed members that, with reference to 53/07, the College would now need to proceed to re-tender for the finance element of the Student Software, following a de-support notice from the supplier.

**To give consideration to a recommendation to the Corporation regarding pay and remuneration of staff for 07/08**

The declaration of interest by staff and D Quail were noted.

The Principal introduced the item. She reminded members about the recommendations made at their last meeting (49/07 and 50/07 of the minutes). It was noted that the Corporation had agreed at its July meeting to the principle of a minimum 2.5% pay rise for 2007-08. Although the situation with regard to work-based learning was still under review, the Principal felt that the year end position was greatly improved and that, as such, the Committee could proceed to make a recommendation on implementing the 2007-08 pay rise.

It was noted that the AOC recommendation was for a 2% increase from 1<sup>st</sup> August 2007 and 1% from 1<sup>st</sup> February 2008.

Members agreed that the total pay rise for 07-08 should equal that proposed by AOC (i.e. a total of 3%).

A discussion was held on the various options for a phased introduction of the 07-08 pay increase, during which all the financial implications were considered.

*The Committee agreed to recommend to Corporation that the 07-08 pay rise be implemented as follows: a 2.5% increase, backdated to 1<sup>st</sup> July 2007, followed by a further 0.5% increase with effect from 1<sup>st</sup> February 2008.*

Members were agreed that this was the best way to ensure that staff benefited from the overall 3% payrise determined by the AOC but also benefited from the end of year surplus for 06-07.

## To consider the draft End of Year Accounts for the period to 31 July 2007

### Out-turn for the period

Retained surplus (before a decision on pay rises) of £26k for the year to 31<sup>st</sup> July 2007 compared to a budgeted surplus of £0k.

### Income

- Total income for the year was £7,122k, compared to a budgeted income of £7,383k. This represented a reduction of £261k. At this point last year, income was £7,246k.
- The base LSC allocation for 06-07 was £4,954k.
- Work-based learning income was £485k compared to the budgeted income of £466k.
- Other LSC income was £642k compared to a budget of £1,047k, a reduction of £404k. £216k of this was a result of the train to gain contract with a similar reduction in expenditure. The balance was mainly the delay in the start of the Learning Line and CDI centre projects as a result of delays by the funding body, with a similar reduction in expenditure.
- Income from the E2E work-based learning contract was £176k compared to a budgeted £185k.
- Income from schools was £98k, compared to a budget of £100k.
- Following audit of the College's 2005/06 UFI work, an additional £4k income had been received. This had not been anticipated in the budget.
- Tuition fees for the period were £418k compared to a budget of £327k.
- Grant income for the period to 31 July was £37k compared to a budgeted income of £24k. This included new projects and the need to return a portion of the ESF grant as previously reported.
- Other income for the period was £166k compared to a budgeted figure of £134k.

### Expenditure

- Total expenditure for the year to 31<sup>st</sup> July 2007 was £7,100k compared to a budgeted expenditure of £7,388k – this represented a decrease of £288k largely the result of decreases in the expenditures against Train to Gain and the SRIP project bids. At this point in the previous year, the expenditure totalled £7,507k.
- It was noted that pay expenditure was down by £393k at £5,179k against the budgeted £5,572k. £115k of this was the result of reductions in the Learning Line and CDI projects and £230k related to the reduction in the Train to Gain contract.
- The balance of £48k was related to savings made from various changes in staffing including some vacant posts being covered by agency staffing.

- Non-pay expenditure was up by £105k at £1,921k compared to the budget of £1,816k due to: -
  - Spend in relation to new project income of £65, including £19k to support DDA works
  - £65k reduction in costs relating to the delay in the Learning Line and CDI projects
  - £44k costs associated with work-based learning training allowances
  - £44k additional legal fees on employment advice
  - £24k additional exam fees, although the income from exams was £9k higher than budgeted
  - £13k costs of additional work on the property strategy
  - £27k increase in cost of agency staff to cover vacant posts
  - £5k increase in MIP costs for works done in summer 2007

The Head of Finance explained that management action to restrict expenditure had reduced the above additional costs by £52k.

### **Balance Sheet**

- Trade debtors – at 31<sup>st</sup> July 2007 there were £46,062 of trade debts of which £30,934 had been outstanding over 60 days. Of this, £184 had been cleared since the period end and the remaining sum related to two small credit balances and three balances for which payment would be forthcoming.
- Cash and Bank – Cash totalled £623,630 at 31<sup>st</sup> July 2007. This was placed in the current account, attracting interest at 1% below base rate. Based on the income for the year, this equated to 32.6 cash in hand days, exactly as forecast in July 2007.
- Borrowings – The College had no bank borrowings at 31 July 2007. There were 2 financing agreements outstanding of £23,596 taken out to take advantage of zero percent interest deals. Based on the final accounts for the year to 31 July 2007 this gave the College limits, without approval of the LSC as follows: -
 

Secured borrowings	£349k
Unsecured borrowings	£349k
- Trade creditors – At 31 July 2007, there were no outstanding balances relating to authorised invoices which were more than 30 days old.

### **Financial Forecast**

- The forecast prepared in July 2007 showed a forecasted retained surplus for the year of £16k. These full year forecasted figures were used for comparison.

### **Cashflow Forecast**

- The cash flow projections for 06-07 and 07-08 showed a fairly stable year end balance based on the assumption that the LSC would continue to use the revised 06/07 payment profile.

The average balance for 2006-07 was 20 days in hand. In 2007-08 the average balance was forecast as 37 cash days in hand. It was noted that this increase in cash days was the result of the front-loading of cash flows from the CDI and Learning Line projects.

It was noted that the overdraft facility of £200k had not been called on during 06-07, it had been renewed for the period to 30 April 2008 as part of the routine banking services.

- The minimum balance for 2006/07 equated to 6 cash days in hand, against the Corporation's target of 25. The minimum balance predicted for 2007-08 equated to approximately 26 cash days in hand.
- The forecast predicted a year end balance of £624k (32.6 cash days in hand), which was the actual balance achieved.
- Members noted the summary of the actual cash flow for the year to 31<sup>st</sup> July 2007. The cash flow for the two years to 31<sup>st</sup> July 2009 was included in the update of the financial forecasts.

### Other matters

- Members noted the number of staff in post at 31 July 2007 quoted as FTEs

#### Support staff

Teaching Support	20 (2006 – 21)
General admin and support	56 (2006 – 60)

#### Full Time & Proportional Lecturers

Lecturing roles	63 (2006 – 68)
Support roles	9 (2006 – 9)
Part-time lecturers	25 (2006 – 25)

- Numbers of Students enrolled – provisional year end figures from the Registry for 2006-07, based on the FO4 dated 3/9/07 indicated 542 16-18 full time numbers against a target of 526 and 3402 other students to date against a whole year target of 3494 with some enrolments still to be recorded.

### Sensitivity

The Head of Finance commented that, since these accounts were based on the partially audited final accounts, sensitivity calculations were not felt to be necessary on the four identified areas of: -

- (a) Enrolments
- (b) Grant and other LSC funding
- (c) Work-based Learning income
- (d) Tuition fee income

## Accounting ratios at 31<sup>st</sup> July 2007

Based on the management accounts, compared to the ratios for the same time last year, the major ratios at year end were: -

	2006/07	Target	2005/06
Retained (deficit)/surplus As a % of income	0.37%	Positive	(3.6)%
Cash days in hand	32.6	25	23.4
Current ratio	1.14	1.5	1.01
General reserve as a % of forecasted total income for the year	6.8%	5	6.2%
Loans as a % of reserves	nil	Below 50%	6.5%
Staff costs as a % of income (excluding redundancy)	72.6%	N/A	75%

The Committee received the report.

### **62/07 To receive the 3-year Financial Forecast update**

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

2007/08	the forecast shows a surplus of £13k compared with a budgeted surplus of £9k.
2008/09	the forecast showed a surplus of £15k compared with a budgeted surplus of £13k.
2009/10	the forecast showed a surplus of £21k compared with a budgeted surplus of £22k.

The Head of Finance drew the Committee's attention to a number of changes in income forecast for 07-08 compared to the previous forecast for the same period.

In respect of management action to secure the Corporation's financial objectives, it was noted that the following measures were being actively pursued: -

- (i) a freeze on vacant posts where appropriate
- (ii) limiting in full or part the final third of the annual budget allocations
- (iii) reducing staff costs as appropriate

- (iv) reducing premises costs as appropriate
- (v) securing additional sources of income

The Committee received the report and the Chair of the Committee asked for questions from Members on both the Management Accounts and the Financial Forecasts.

A member queried the reducing provision for unidentified income. The Head of Finance explained that, as confirmed funding contracts arrived, the provision would decrease accordingly during the year.

A member queried whether there was really a net positive cash flow on operations. He felt that the College should look to generate more cash in future, especially given the likely need for increasing capital and revenue expenditure. Other members agreed and pointed out the need to generate cash or to make cuts or invest in other efficiencies.

The Principal explained that the College management team continued to manage the situation carefully with a view to ensuring that the College was not de-stabilised by any cuts or efficiencies. She pointed out that the funding for the CDI and Learning Line Projects would run out in 09-10 and that this funding would need to be replaced in order to ensure maintenance of the status quo.

The Chair of the Committee thanked the Head of Finance for both reports which looked very encouraging.

**63/07 To receive a progress report on the operational effectiveness of the Risk Management Plan with respect to financial issues**

The Principal introduced the item and members noted that all elements had been covered during the presentation of the year end accounts and forecasts. She particularly drew the Committee's attention to the last section of the report. This gave the outline of the successful approach to the management of the budget over the previous two years in that the shift in LSC priorities and the associated reduction in adult provision introduced in 2005-06 had been managed over a two year period, avoiding compulsory redundancies, to a situation where now the 2007 accounts indicated restoration of the College's financial position.

The report was received.

**64/07 To receive the Student Union End of Year Accounts to 31 July 2007**

The Principal presented the report which showed that the Student Union had finished the year with a positive balance of £1,654.30. Committee members wished to encourage the Student Union to come forward with ideas on how to spend this income for student benefit during 07-08.

The Committee received the report.

**65/07 Any Other Business**

(a) Dates of meetings to January 2009

- (i) Tuesday 4<sup>th</sup> December 2007
- (ii) Tuesday 15<sup>th</sup> January 2008
- (iii) Tuesday 26<sup>th</sup> February 2008
- (iv) Tuesday 6<sup>th</sup> May 2008
- (v) Tuesday 24<sup>th</sup> June 2008
- (vi) Tuesday 15<sup>th</sup> July 2008
- (vii) Tuesday 23<sup>rd</sup> September 2008
- (viii) Tuesday 2<sup>nd</sup> December 2008
- (ix) Tuesday 13<sup>th</sup> January 2009

There was no other business.

The meeting closed at 20.25pm.