Minutes of the F&GP Committee held on Tuesday, 4th December 2007

Present:	Mr M Murray (Chair) Mr R L'Amie M Brannan Mr D Quail Mrs J McAllister
In attendance:	L Swift (Head of Finance) J Stott (Clerk) S Shaw (Deputy Clerk and Minute Secretary) S Fletcher (Finance Manager)
Apologies:	Mr M Dixon, Mr D Hoose (Tenon)
Meeting commenced:	19:00 pm
Meeting closed:	20.45 pm

66/07 Disclosure of financial and/or personal interest

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

67/07 To agree agenda and order of business as circulated

The agenda and order of business was agreed as circulated.

68/07 To appoint Chair and Vice Chair of the Committee with effect from 15th January 2008

(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. David Quail was proposed, seconded and agreed to act as Vice Chair.

69/07 To approve the minutes of the meeting held on 2nd October 2007

The minutes were approved.

70/07 Matters arising

(a) At item 65/07, page 8, the Principal drew members' attention to the fact that, due to recuperation following an operation, the Head of Finance would not be able to attend the scheduled F&GP meeting on 15th January 2008. This would mean that there would be no financial forecasts until the February meeting. The agenda would comprise the Management Accounts (to be prepared by the Finance Manager) and an update to the Risk Management Plan. The Principal suggested that the Committee may wish to consider either holding a reduced item agenda meeting or cancelling the meeting. She reminded members that the next Corporation meeting would be held in March.

Following discussion, it was agreed to cancel the 15th January F&GP Meeting, provided that a copy of the Management Accounts was circulated during January for consideration by members.

71/07 To receive an update on the draft End of Year Accounts for the period to 31 July 2007 and the Annual Report for recommendation to the Corporation.

The Head of Finance presented the item. She explained that the Audit Committee had already reviewed the draft End of Year Accounts and the Annual Report.

The Principal explained that the document circulated was a final draft for comment but that further amendments might be required. She reminded the Committee of their role in reviewing this documentation and confirmed that the Vice Chair of the Audit Committee (in the absence of the Chair) would receive the final version for comment prior to the document being submitted to Corporation.

The Principal guided members through some suggested changes to the wording of the text and, in particular (<u>underlined</u>):

(i) Page 5 – under (b) Student numbers: "The number of funded students enrolled was <u>3967</u> excluding Learndirect students, compared with the target number of 4020".

(ii) Page 6 – under (d) 3-Year Development Plan Targets, first bullet point concerning areas where headline targets were met: "Learner Numbers (<u>other than 19+ full time</u>) and achievement of LSC funding targets".

(iii) As above, in the paragraph immediately following the bullet points: "In 2006-07 the College exceeded its learner number growth targets <u>in all areas except 19+ full time</u>. The College ..."

The Principal informed members that the College had considerably under-shot by just under 50 students the adult FT target of 140. She explained that this could be attributed to the fact that the Access to HE provision had been vocationalised and transferred to the Health and Care sector. The College had removed the Humanities based provision. The target could not be revised to account for this. She then explained that the College had slightly undershot the adult Part-time target. The College had however exceeded the Full-time target for 16-18 year olds by 3%. Members noted the comment at the top of page 6 of the report that "The College's achievement rates in many aspects of its provision are above the national average for general FE colleges". However, the Principal explained that her key concern was that of retention.

The Chair of the Committee asked for further information about the issue of retention.

The Principal explained that detailed reports were due to be received from Heads of Sector later in the week. However, she could confirm that, overall, 16-18 retention had dipped during 2006-07. She explained that the Curriculum and Quality Committee held on 3rd December had considered the interim data in considerable detail. The College was now examining the data in detail in order to investigate the reasons for the fall in retention. One possibility was that lower admissions criteria for Level 3 students had had an adverse effect on retention.

The Chair of the Committee asked whether achievement had improved during 06-07. The Principal confirmed that it had done. She drew members' attention to the fact that in 2005-06 Level 1 16-18 achievement had fallen. A reason for this was found to be the fact that a significant number of students had only partially achieved their full framework which included literacy and mathematics. The partial achievement, whilst of significance at an individual level, had counted as a "fail" for official purposes. Tutors' awareness of the issue in 2006-07 had improved and measures had been implemented that had resulted in a much improved achievement rate for this group of students during 2006-07.

The Principal explained that, overall, the College's Work-based Learning Full Framework achievement had improved because the College had had to be more selective and some students, for whom work-based learning would not be the best route, had been directed to the main FE programme instead.

The Head of Finance then drew members' attention to a number of other proposed changes to the document that had been picked up by the Audit Committee. She also drew members' attention to the improvement in the FRS17 figures.

The Chair of the Committee asked for comments. A number of comments were made and answered by the Principal and Head of Finance. In particular, members were interested in the effect of redundancies on numbers of staff in post (page 33). The Head of Finance explained that most redundancies had come into effect in August 2007 after the end of the financial year, so that their effect would be felt in the 07-08 accounts.

A member questioned, at page 45 of the Report and Financial Statements, the difference between the deficit on continuing operations after depreciation of assets at valuation and tax and the net cash inflow/(outflow) from operating activities. The Head of Finance explained that this was largely the result of the way that income from the SRIP bids was front-loaded. She explained that the College had received significant sums from the LSC and Yorkshire Forward in order to set the projects up. In accounting terms, the Head of Finance explained that the effect of the front-loading of project funding was that project income would not match project expenditure in the early part of the project. Therefore, excess income would be carried forward as advance income. She assured members that the auditors had agreed with this treatment.

The Head of Finance referred members to the increase in taxation and social security costs. She attributed this, in part, to the 4-weekly payroll and explained to members that a proposal to move to a monthly payroll was being considered.

The Principal thanked the Head of Finance and the Finance Manager for their work in producing the accounts. Their clarity and accuracy had been commented upon favourably by the auditors.

The draft Report and Financial Statements were received.

72/07 To receive a copy of the draft Management Letter for the financial year 2006-07 prepared by the Financial External Auditor

The Head of Finance introduced the item. She explained that the report had been considered in detail by the Audit Committee but that she felt it contained some useful information for F&GP purposes.

The Head of Finance guided members through the document and confirmed that Tenon had agreed with the approach taken on key accounting policies. Members noted a “trifling” adjustment of £64 in the accounts that did not require official reporting.

Members noted the high dependency of the College on LSC funding. In regard to the relatively high level of staff costs as a percentage of total income, the Head of Finance explained that it could be viewed that this was because non-pay costs had been kept low.

Members commented on the benchmarked level of the current ratio which shows 1.5.

In relation to teaching staff costs as a percentage of total staff costs which had fallen since 2005, the Head of Finance explained the ways in which the College was trying to keep such staff costs down.

In respect of the treatment of Train to Gain, referenced on page 10, members noted that the College was part of the consortium managed by Bradford College. The Finance Office had not yet received a breakdown of how the College had been paid for its contribution to the overall consortium contract.

The Chair of the Committee asked about the reference to College covenants on page 12 and the Head of Finance confirmed that this was a note for future reference in relation to property strategy developments.

73/07 To consider the bi-monthly Management Accounts for the period from 1st August to 30th September 2007

The Head of Finance presented this item.

(a) Out-turn for the period

The accounts showed a retained surplus of £40k compared to a budgeted deficit of £69k. At this point last year the college had a retained surplus of £134k.

(b) Income

Total income to 30 September 2007 was £1,093k, compared to a budgeted income of £1,101k. This represented a reduction of £8k. At this point last year income was £1,283k.

- o Base allocation - The 2007/08 allocation was for £5,134k. This had been allocated to the accounts on an equal monthly basis as previously agreed although the actual cash received for the period to 30th September was slightly more, at £1,129k.

- o Work Based Learning - £63k compared to the budgeted income of £52k. This increase reflected the increase in the contract which now included the re-instated Horticulture element.

- o Other LSC Income - £74k compared to a budget of £101k, a reduction of £27k. This was partially related to Train to Gain income, which was not quantifiable for the period, and a reduction in income from the Learning Line and CDI centre projects, with a similar reduction in expenditure.

- o E2E (work-based learning)- £25k, compared to a budget of £17k due to a different payment profile.

- o Income from Schools - £5k, compared to a budgeted of £7k.

- o Tuition fees - £23k (excluding Learner Support Funding) compared to a budgeted income of £21k.

- o Grant income - £10k compared to a budgeted income of £13k.

- o Other income - £16k, exactly as budgeted.

(c) Expenditure

Total expenditure for the period to 30 September 2007 was £1,134k compared to a budgeted expenditure of £1,171k. This represented a decrease of £37k. At this point in the previous year the expenditure had totalled £1,150k. Of this, Pay expenditure for the period totalled £893k, compared to a budget of £908k, a reduction of £15k. This was largely due to savings on vacant posts and careful control of the part-time lecturer budgets. Expenditure on Non-pay was £241k compared to the profiled budget of £263k; a reduction of £22k.

(d) Balance Sheet

Debtors - At 30 September 2007 trade debtors were £33,883 of which £31,791 had been outstanding over 60 days. Of this total £31,704 had been cleared since the period end. The remaining sum related to 4 small balances totalling £87.

Cash and Bank - Cash totalled £735,556 at 30 September 2007 including SRIP funding received to date. This is represented 37.7 cash in hand days based on the income for the year.

Level of borrowings - The College had no bank borrowing at 30 September 2007. There were 2 financing agreements outstanding of £22,214 taken out to take advantage of zero percent interest deals.

Trade Creditors **-** There were no outstanding balances on the purchase ledger at 30 September 2007, relating to authorised invoices, which were more than 30 days old.

(e) Financial Forecast

The financial forecast prepared in November 2007 showed a forecasted retained surplus for the year of £13k. 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 October based on all knowledge to date. The projections resulted in a fairly stable year end balance for 2007/08 and 2008/09. It was noted that this would be lower than the 2006/07 year end balance which included some advance SRIP funding.

It was noted that the average cash balance predicted was 33 days in hand, for 2007/08 and 29 cash days in hand for 2008/09. This increase in the average cash days was the result of the cash flows from the Learning Line and CDI Centre. The Head of Finance explained that she had made the assumption that the LSC would continue to use the revised 06/07 payment profile.

It was noted that, although the overdraft facility of £200k was not utilised in 2006/07, this facility had been renewed for the year to 30/04/08 as part of the routine banking services.

(g) Other Matters

The number of staff in post at 30 September 2007 quoted as FTEs, was analysed as follows: -

Support staff:	
Teaching support	19 (2006 – 21)
General admin & support	50 (2006 – 57)
Full-time & proportional lecturers:	
Lecturing roles	58 (2006 - 61)
Support roles	7 (2006 – 10)
Part time lecturers	16 (2006 – 19)

The number of students enrolled - provisional figures from Registry for 2007/08, indicated 571 16-18 full time numbers against a target of 570. The provisional enrolment for other students was 2079 against a whole year target of 3340.

(h) Sensitivity

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

<u>Level of enrolments</u>
If lower enrolments were to result in an underachievement of 5% of LSC funds this would reduce income by: -

£5,133,877x 5% = £256,694

<u>Grant and Other LSC Funding</u>
The forecast income from grants and other LSC funding for 2007/08 was £779k. If this income dropped 5% below the estimate, this would reduce forecast income by £38,950

<u>Work Based Learning Income</u>
The forecast income for Work Based Learning (for both contracts) was £545k adjusted to reflect the actual anticipated income. If there were a further fall of 5% in this income, this would be equal to £27,250.

<u>Tuition Fee Income</u>
The forecast income for tuition fee income was £415k adjusted to reflect the actual anticipated income. If there were a further fall of 5% in this income, this would be equal to £20,750.

(i) Accounting ratios at 30th September 2007

	30/09/07	Target	30/09/06
Retained (deficit)/surplus as a percentage of income for the period	(3.7%)	Positive	10.7%
Cash days in hand	37.7	25	22.5
Current ratio	1.03	1.5	1.21
General reserve as a percentage of forecast total income for the year (excluding release of deferred capital grants)	6.0%	5	8.0%
Loans as a percentage of reserves	nil	Below 50%	3.8%
Staff costs as a percentage of income (excluding redundancy)	69.7%	N/a	61%

The Chair of the Committee asked members for comments. In response to a question about the impact of the sensitivity analysis, the Principal confirmed that she was not confident that the student numbers target would be met this year. Under plan-led funding, this would not affect the College income in 06-07. However, it could affect the size of the plan that the LSC are prepared to fund next year. The Principal presented the management plan to mitigate the effect of a shortfall in student numbers.

The Committee received the report.

74/07 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 and the previous forecast surplus of £13k.
2008-09 The forecast shows a surplus of £15k compared with a budgeted surplus of £13k and the previous forecast surplus of £15k.
2009-10 The forecast shows a surplus of £20k compared with a budgeted surplus of £22k and the previous forecast 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 particular, it was noted that new income sources of £37k had been identified from other LSC income and a reduction in unidentified income of £40k had resulted in a current unidentified income target of £70k. It was also noted that various changes to staffing in all areas had reduced staff costs by £59k. It was noted that the Corporation's decision to give an additional 0.5% pay increase with effect from 1 February 2008 had increased costs by £12k.

The Committee was also advised of changes from previous budget for 2008-09 and 2009-10.

The Head of Finance then presented a detailed update of management plans to maximise efficiency and effectiveness for 2007-08.

The Committee thanked the Head of Finance for the comprehensive overview.

The report was received.

75/07 To undertake an annual review of alternatives for cash investment

The Head of Finance presented a paper setting out the alternatives for cash investment.

Following brief discussion, it was agreed that the College continues to leave surplus funds in the College current account, which attracts interest at 1% below base rate.

76/07 To undertake the annual review of the Finance Plan

The Principal introduced the revised Finance Plan and thanked the Head of Finance for her detailed work on this. It was noted that the plan had been updated to indicate progress on each of the objectives and that all objectives had been achieved.

In particular, the Principal drew members' attention to the detailed work that had been undergone in respect to the implementation of recent employment legislation in terms of ensuring that unrolled up holiday pay was introduced. This had been identified as a potential legal risk.

The Principal referred to College ICT developments that had been implemented and were referred to in the Finance Plan as underpinning the College's strategic plan.

The Committee received the Plan.

77/07 (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

The Principal suggested a short item for later in the academic year on the implementation of the "Standard Learner Number" to come into effect in 2008-09. The Clerk agreed to incorporate this into a future agenda.

The College Administrator suggested an item on the proposed changes to the West Yorkshire Pension Scheme. These included a staggered employee contribution depending on salary with a view to assessing the financial implications of this change. These two items were agreed as future training items.

78/07 Any Other Business

(a) Dates of meetings to January 2009

(i) Tuesday 26th February 2008
(ii) Tuesday 6th May 2008
(iii) Tuesday 24th June 2008
(iv) Tuesday 15th July 2008
(v) Tuesday 23rd September 2008
(vi) Tuesday 2nd December 2008
(vii) Tuesday 13th January 2009

To note that the 15th January 2008 meeting has been cancelled.

(b) The Annual Art Exhibition to be held in Victoria Hall on 7th and 8th December.

The meeting closed at 20.45pm.