

since the meeting of the Corporation in July, a ruling had been obtained from the UITF which indicated that such credits should correctly be shown in the Statement of Total Recognised Gains and Losses (the STRGL). Audit firms had not all adopted the same stance, but the College's external auditors had advised that the UITF guidance should be followed and that any different treatment could result in qualification of the accounts.

- ii provision for the College's share of the potential claw-back from HEFCE, as the lead College in the HE Consortium. Members noted that in addition to the potential claw-back, which was to be determined by an Appeal Hearing in January 2011, there was also a separate issue relating to a penalty to be imposed by HEFCE for over recruitment in 2009-10. The Principal had received oral assurances that the Consortium was likely to be successful at the Appeal Hearing, but, in the absence of any written evidence to this effect, the auditors had stated that provision should be made in the Financial Statements for the full amount of the College's share of the claw-back. The Principal reported that the issues relating to the potential claw-back concerned the different definitions of full and part-time students within the HE and FE sectors. It had proved difficult for the College to obtain any further clarification from the Council regarding the claw-back but, within the last week, HEFCE had agreed to revisit the funding implications of its audit. The Principal advised that she would need to discuss the implications of any further advice received from the Council with the other members of the HE Consortium but it was noted that, should the Council's position change significantly with regard to other claw-back, the need for an appeal might be removed. However, as things stood, the double impact of the changes in the accounting treatment of FRS17 and the provision of the full amount of the College's share of the potential HEFCE claw-back and over-recruitment penalty in the accounts had generated a deficit for the year, rather than the surplus originally envisaged.

Dr D Cole joined the meeting at this point.

There was a lengthy discussion concerning the implications of this change in relation to the covenant in the College's bank loan with the Allied Irish Bank. The urgent advice of the bank had been sought regarding its interpretation of clauses in the agreement. This was proving difficult to obtain and discussions with the bank were ongoing. The matter had not as yet been resolved.

Members considered at length the actions to be taken before the Corporation meeting on 14 December. It was noted that there was a requirement under the Financial Memorandum for the College to submit the signed Financial Statements by the 31 December 2010. However, in view of the highly unusual circumstances described above, it was believed that the SFA was likely to prove sympathetic to any application from the College to extend this date.

Members considered other significant issues within the Financial Statements, including the rise in staff costs reflected on page 24. It was noted that the reasons for this were clarified in note seven and had, also, been described in the commentary within the management accounts. The Director of Finance and Estates believed that the underlying financial position of the College remained strong, despite the issues which had been raised in relation to FRS17 and the HEFCE claw-back and penalty. It was noted that the majority of colleges across the sector were in fact reporting a loss for the 2009/10

financial year. Members acknowledged the difficulties caused by the tight funding constraints during that period. They reiterated their belief that, in the current challenging financial environment, it would be useful for governors to receive more detailed information in the monthly management accounts of any significant emerging issues which might cause an adverse variance in the projected out-turn for the year. The Director of Finance and Estates would pursue this point.

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In conclusion, Members agreed a number of actions to be taken before the meeting of the Corporation on 14 December 2010. These were as follows:

- i the Director of Finance and Estates should check with the external auditors and the Bank whether there was any compelling reason not to apply for the deferment in the signature of the accounts. If this were not the case, an application should be submitted to the SFA to extend the date beyond 31 December 2010 to a suitable point when the outcome of the Appeal by HEFCE would be known.
- ii every effort should continue to be made by the SMT to obtain a resolution from HEFCE concerning any potential claw-back and the size of the over-recruitment penalty. The Principal should also liaise with other members of the HE Consortium on this matter.
- iii if necessary, the advice of an independent expert with regard to FRS17 should be sought by the Director of Finance and Estates.
- iv the effort to obtain clarification from the Allied Irish Bank should be sustained. Should the Bank confirm the College's position, it was envisaged that the Corporation would be invited to approve the Financial Statements in their current format.
- v the Director of Finance and Estates should provide a briefing paper to be tabled at the Corporation meeting on 14 December 2010 to up-date Members on any developments over the forthcoming fortnight. In the meantime, the Financial Statements should be distributed in their current format with the other Corporation papers.

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It was further resolved that the Chairman of the Corporation should make an oral recommendation to the Governing Body on 14 December 2010, on behalf of the Committee, and in the light of the outcome of the actions listed above. The Chairman wished to record his thanks to Mr D Harrison who, as a chartered accountant, had provided expert advice to the Committee on this matter.

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25/10 STUDENT UNION ACCOUNTS

The Committee received and reviewed the Student Union Accounts for the Year Ended 31 July 2010, which were contained within appendix B, and recommended them to the Corporation meeting of the 14 December 2010, for approval.

26/10 CHESHIRE SOLUTIONS / ECAT LIMITED

Members received and reviewed the Accounts for the above companies, for the Financial Year Ended 31 July 2010, which were attached as appendices Ci and Cii respectively. They recommended both documents to the Corporation meeting of 14 December 2010 for approval, noting that the two companies had remained dormant

throughout 2009/10.

27/10 COLLEGE ACCOUNTS FOR THE PERIOD ENDED 31 OCTOBER 2010

The Committee received and reviewed the accounts for the above period, which were contained within appendix D.

The Director of Finance and Estates reported that the MIS systems were undergoing some restructuring which would ultimately facilitate further development of the management accounts and better provision of information to governors. Members welcomed these changes and looked forward to receiving the new format reports once the necessary data became available. The College's financial position in 2010/11 was underpinned by the certainty that there would be no planned reconciliation or claw-back from the main funding bodies. However, it was noted that the 16-18 recruitment position remained challenging.

Good progress had been made with regard to management of the Part I claims. An independent consultant had been employed, upon the advice of the Director of Finance and Estates, and he had been successful in bringing about a reduction in the level of claims. Overall, initial financial indications were promising but the Director of Finance and Estates advised that it was too early in the year to draw any firm conclusions.

In conclusion, Members commended the accounts for the period ended 31 October 2010 to the Corporation meeting of 14 December 2010, for the information of all Members of the Governing Body.

28/10 CAPITAL EXPENDITURE UP-DATE

The Committee received a written report from the Director of Finance and Estates, which was contained within appendix E.

The Director of Finance and Estates advised that there had been a reduction in the level of approved expenditure, following the procurement of some alternative equipment under a leasing arrangement. The level of monies committed to date was lower than originally anticipated because the IT element (92% of the whole) was being reviewed by the new Deputy Principal and had also been put on hold pending the appointment of the new Technology and E-learning Manager. The delay was not causing an adverse impact operationally and it was envisaged the sum already approved by the governors would be adequate to meet all requirements.

29/10 THE LEARNING ZONE PROJECT

The Committee received a written report from the Director of Finance and Estates, which was contained within appendix F.

Members noted the slightly improved situation in terms of an overall favourable variance. The Director of Finance and Estates spoke on the issues which remained outstanding. All flooring issues, with the exception of those in the rotunda, had now been resolved satisfactorily. The drainage issue on the Sports pitch was being addressed. The final practical completion certificate in

respect of external works had been issued on 28 June 2010, following the last meeting of the Committee. A further meeting with Gleeds and AA Projects would be held shortly to scrutinise the supporting material which Interserve had recently submitted in support of its claim. Discussion ensued concerning the provision which had been made in the balance sheet, but the College had reconfirmed its position that it did not believe that it had any contractual liability for any of the sums being claimed. The outstanding boundary matters had now been resolved and planning issues relating to the s106 agreement still remained outstanding.

It was agreed that the report contained within appendix F should be submitted to the Corporation meeting of the 14 December 2010 and the Director of Finance and Estates would provide an oral up-date on any further developments.

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30/10 ANNUAL REPORT OF THE FINANCE AND ESTATES COMMITTEE TO THE CORPORATION

Members considered their annual report to the Corporation and reviewed the draft format contained within appendix G. They approved the document for submission to the Corporation meeting of 14 December, subject to the Director of Finance and Estates replacing the word 'Achieved' under the first bullet point under 2a, on page 4, by some other more appropriate wording.

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31/10 TERMS OF REFERENCE

Members reviewed the current terms of reference of the Committee and received a written report from the Clerk to the Corporation, which was contained in appendix H. They supported the Clerk's proposal that no further amendments to the terms of reference were needed at the current time.

32/10 DATE OF NEXT MEETING

This would be held on Wednesday 16 March 2011, at 9.30 am.

Pamela J Connell
Clerk to the Corporation
2 December 2010