



CORPORATION FINANCE AND ESTATES COMMITTEE

MINUTES OF THE MEETING OF THE CORPORATION FINANCE AND ESTATES COMMITTEE HELD ON WEDNESDAY 29 JUNE 2011

PRESENT : Dr G Wilson Chairman
 Dr D Cole
 Mr D Harrison
 Ms W Wright Principal

IN ATTENDANCE :
 Mrs P Connell Clerk to the Corporation
 Mr S Andrews Deputy Principal

ACTION

12/11 APOLOGIES FOR ABSENCE

An apology was received from Mr I Standen.

13/11 MINUTES

The minutes of the meeting held on 16 March 2011 were received and confirmed as a correct record.

14/11 MATTERS ARISING FROM THE MINUTES

7/11 Fee Proposal Policy. The Principal reported that she had made minor amendments to the Policy to ensure that it reflected the changed entitlements in terms of fee remission published by the SFA, following the last meeting of the Committee in March.

15/11 RESTRUCTURING OF THE SENIOR MANAGEMENT TEAM

The Committee received an oral report from the Principal concerning the recent restructuring of the Senior Management Team. The Principal advised that it had become necessary to review the management structure of the College and to make significant operational savings, in view of the substantial funding cuts which the College faced over the next three years. Every effort had been made during this process to protect and enhance the quality of teaching and learning. High priority had been given to retaining teachers, particularly because the Corporation's strategy was to grow student numbers, especially in the 16-18 year old category. These students were funded on a lagged model, which meant that growth was not funded in their first year. It had been decided that the posts of Director of Finance and Estates and Director of Customer Services and Human Resources should be made redundant. Some restructuring of the Middle Management Team was also being undertaken, although this was on a less radical basis. The responsibilities of the two Directors who had been made redundant were to

be covered by middle managers, with the support of the Principal and Deputy Principal. In terms of the Finance and Estates Committee, it was proposed that the new Finance and Estates Manager would attend future meetings together with the Principal and Deputy Principal. It was noted that one new post, that of Student Performance and Experience Manager, was to be created.

Members thanked the Principal for her report and looked forward to receiving a new organisation chart, at the conclusion of the restructuring process.

WW

16/11 COLLEGE ACCOUNTS FOR THE PERIOD ENDED 31 MAY 2011

The Committee received the accounts for the above period, which were contained within appendix A.

The Principal spoke on the accounts, drawing the attention of Members to key developments since the last meeting of the Committee in the spring term. **It was noted that the College remained on target to achieve the £552k surplus predicted in the Mid-Year Financial Forecast** approved by the Corporation in March 2011. The 16-18 Learner Responsive funding was protected in year, regardless of actual performance. Any shortfall at the year-end against the Single Line Adult targets would, however, be subject to an in-year claw-back. A provision of £150k had been introduced in the May accounts, on a prudent basis, for the potential shortfall against this target. However, it was anticipated that the position would improve over the following two months, as the College continued to maximise funding opportunities. Pay costs to 31 May created a favourable variance of £13k compared with the phased budget. Total direct teaching costs had fallen since the previous year. This had resulted primarily from a reduction in the ALR activity, fewer 16-18 year olds and the revision in the case-loading policy. There had been a small increase of £3k in assessor costs over the same period.

It was noted that the balance sheet remained healthy. The under-achievement of the 16-18 Contract, along with two exceptional credits (release of the HEFCE and Interserve provisions) had contributed to a strong performance within the current academic year. However, in view of the extremely challenging year which lay ahead, priority would need to be given to the pump-priming of next year's curriculum and to learner recruitment. **In conclusion, Members formally commended the accounts for the above period, together with the attached commentary, to the Corporation meeting of 12 July 2011.**

17/11 FINANCIAL OBJECTIVES 2011/12

The Committee received a written report from the Finance and Estates Manager, which was contained within appendix B.

Members considered performance against the financial objectives for 2010/11. It was noted that all objectives had been achieved or exceeded, with the exception of a positive operating cash-flow. The problem in this area had arisen because of the impact of the HEFCE penalties which had been payable during the year. Members supported the proposal from the Finance and Estates Manager that cash-flows relating to various consortia funding

should be expressly excluded from the operating cash-flow objective in future, so that measurements more accurately reflected the College's true operating position.

Discussion ensued concerning the proposed objectives for 2011/12. The Principal spoke on the rationale informing the six objectives which had been brought forward for consideration by the Committee. It was noted that the reason for the higher current ratio was the surplus liquidity arising from the long term bank loan. Pay as a percentage of income was expected to rise during 2011/12, primarily because of the lapsed funding model, before it fell again in subsequent years. Members considered at length the relatively small level of the predicted surplus over the next two years. Overall, a rolling three year annual surplus of £117k (sufficient to service the bank loan) was felt to be the key requirement. However, it was recognised that achieving this would inevitably depend upon the effective delivery of the Corporation's agreed growth strategy.

In conclusion, Members recommended the proposed Financial Objectives for 2011/12 contained within appendix B to the Corporation Meeting of 12 July 2011 for approval.

18/11 BUDGET 2011/12 AND THREE YEAR FINANCIAL FORECAST 2011/14, INCORPORATING THE SENSITIVITY ANALYSIS

The Committee received the above documents, together with the supporting commentary from the Finance and Estates Manager, which were contained within appendix C.

A lengthy discussion ensued concerning the challenges which the College was likely to face over this period and the assumptions which had been built into the 2011/12 Budget and the Three Year Forecast. The College was expecting a reduction of £820k in total income in 2011/12 and, even with intensive efforts being made to maximise efficiency savings, was unlikely to be able to reduce costs at a corresponding rate. The Corporation's strategy required significant growth, particularly in the 16-18 year old category. The lagged funding model would put increased pressure on the Budget in 2011/12, but was expected to reap further dividends in future years. Members considered the reasons for the large surplus in 2010/11. It was recognised that this strong financial performance had been caused in part by the under-achievement of the 16-18 contract creating a 'windfall' scenario, together with two exceptional credits (the release of the HEFCE and Interserve provisions). Since these circumstances would not be repeated in 2011/12 and the College would face stringent funding cuts, the year was likely to present significant financial challenges.

The Principal spoke on the strategies which had been put in place to ensure that the College achieved its growth targets. Significant efforts had been made to address any poor retention rates and to offer students the best quality advice and guidance. Considerable growth was being experienced in the number of apprentices studying at the College and there had already been an increase in this group of approximately 188% over a three year period. Members also considered factors which presented potential risk to the achievement of the agreed corporate objectives, for example, falling demographics and the shrinking level of public funding for adult courses. It was felt, however, that with regard to adult tuition fees, the College was in a

strong position because appropriate policy decisions to charge increased fee levels had been made at an early stage and, also, there had been a very strong focus on employer led programmes. Indeed, the College's record in relation to employer engagement was outstanding.

Members noted the publication of the White Paper earlier in the same week. They were optimistic that the College would be successful in growing its HE provision further. It was felt that future prospects in this area were extremely promising. Whilst recognising these growth opportunities, Members were mindful of the paramount importance of the College's 16-18 provision. They welcomed the new curriculum initiatives which had been launched, eg in Performing Arts and Music, together with the range of measures introduced to continuously enhance the quality of provision and the student experience at the College. It was noted that, by the next meeting of the Committee in the autumn term, the Senior Management Team would be able to report on the first return of the academic year made to the Funding Council in relation to 16-18 provision. This was considered to be a critical document since it would confirm the validity of the assumptions made in the Budget or highlight any unforeseen areas of risk so that appropriate mitigating action could be taken.

In conclusion, the Chairman thanked Mr D Harrison for his expert professional advice in relation to the 2011/12 Budget and the Three Year Financial Forecast. Members recommended the documents contained within appendix C to the Corporation for approval on 12 July 2011. It was noted that the Finance and Estates Manager would attend this meeting.

19/11 THE LEARNING ZONE/ACCOMMODATION STRATEGY

The Committee received an oral report from the Principal. The Principal apprised Members of any significant developments since the meeting of the Committee in the spring term. Further moisture testing of the floor in the rotunda undertaken recently had suggested that this was now dry. However, it had been decided that the carpet should not be fitted until a further two, clear tests had been received.

Discussions continued with the Local Authority to resolve some of the boundary issues on site. A meeting had taken place between both parties and their respective lawyers on the previous day and agreement in principle had now been reached. The Local Authority was now drawing up plans in line with this as a matter of urgency since the matter needed to be concluded before the legal agreements for the Academy were finalised.

Members noted the progress which had been made in relation to the football pitch and the S106 agreement. A possible solution of providing a junior sized pitch at the front of the site was being explored. This could potentially avoid the problems which had been encountered in relation to the proximity of the pitch to the road. It was noted that the condition of the six full size pitches at the back of the site was excellent. Further advice was being sought regarding the compliance standards which would be applicable in relation to the drainage system. Members supported management's view that the College could take little further action until this had been clarified, particularly since considerable sums of money had already been expended in addressing drainage issues.

20/11 EVALUATION OF CAPITAL EXPENDITURE 2010/11

The Committee received a written report from the Finance and Estates Manager, which was contained within appendix D.

Members noted that the capital expenditure programme during the current academic year had demonstrated the College's continued commitment to achieving best value for money. Significant savings had been made on the original bids. The majority of expenditure had been incurred on IT equipment. The most significant investment had related to the server virtualisation. The process had been deferred pending the appointment of the new Technology and E-Learning Manager, but the tendering process had now been completed and the expenditure would be committed within year. The Principal reported on the measures which were being taken to harmonize, as far as possible, the IT systems between the College and the new Academy. Technicians from the School were to join the College's IT team.

In conclusion, Members noted that all items purchased in year were fully operational and having a positive impact on the quality of service provided to learners.

21/11 CAPITAL EXPENDITURE PROPOSALS

The Committee received written proposals from the Finance and Estates Manager. These were contained within appendix E.

The capital bids received for 2011/12 related to IT. The focus was on improving the stability of the IT platform and enhancing the current system, rather than on expansion. The bids totalled £141,000. **Members supported the proposals contained within appendix E and recommended them to the Corporation for approval on 12 July 2011.**

22/11 DATE OF NEXT MEETING

This would be determined when the calendar of meetings was approved by the Corporation in July.

Pamela J Connell
Clerk to the Corporation
July 2011