

CORPORATION APPENDIX D



CORPORATION FINANCE AND ESTATES COMMITTEE

MINUTES OF THE MEETING OF THE CORPORATION FINANCE AND ESTATES COMMITTEE HELD ON WEDNESDAY 24 JUNE 2009

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

IN ATTENDANCE :
 Mrs P Connell Clerk to the Corporation
 Mr J Fitzpatrick Director of Finance and Estates

10/09 APOLOGIES FOR ABSENCE

There were none.

11/09 MINUTES

The minutes of the meeting held on 4 March 2009 were received and confirmed as a correct record.

12/09 MATTERS ARISING

There were none.

13/09 COLLEGE ACCOUNTS FOR THE PERIOD ENDED 31 MAY 2009

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

The Director of Finance and Estates spoke on the most significant features of the above document.

Discussion ensued concerning those areas where there was considerable variance from the budget approved by the Corporation. In particular, it was noted that there was a saving in pay expenditure of £90k. This was due to a number of factors, including vacancies, the timing of appointments and reduced payments to staff on long term sickness absence. Pay costs represented 66.6% of total income, which was slightly below the target figure of 68% approved by the Corporation. The Principal advised that this had not resulted in any detrimental impact on the standard of teaching and learning.

There was a lengthy discussion concerning the phasing of the release of

ACTION

capital grants. In order to ensure consistency with the approach adopted in this area in preparing the previous Financial Statements and Forecasts, **it was agreed that** some amendment should be made to the accounts by the Director of Finance and Estates before the documents included in the appendix were submitted to the Corporation. Although this was expected to reduce the revised forecast for the full year to a surplus of £121k, the College would still be in a strong financial position in line with agreed strategic objectives. Members concurred with the Director of Finance and Estates' view that it would be necessary to exercise continued vigilance and prudence to effectively face the longer term challenges which lay ahead. In particular, they were mindful of the forthcoming reduction in mainstream funding and the loss of LSC transitional funding protection, which would be withdrawn completely in 2011/12.

In conclusion, subject to the above amendments being made, Members recommended the College Accounts to 31 May 2009 to the Corporation meeting of 7 July 2009, for the information of all Members of the governing body.

14/09 FINANCIAL OBJECTIVES 2009/10

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

The Director of Finance and Estates spoke on the main factors which had been taken into account when devising the proposed financial objectives for the forthcoming year. The latter had been drawn up in support of strategic objectives approved by the Corporation and the College's finance and curriculum strategies. The exercise had proved to be particularly challenging against a background of raised uncertainty across the sector. Naturally, colleges had not been immune from the impact of the global financial recession but, in addition, the approaching demise of the LSC in 2010, sustained funding pressures and revisions to the funding methodology had made the formulation of a long term financial strategy extremely problematic. In the College's case, significant revisions to the structure of local government had also had to be considered, during a period when funding for 16-18 year olds was expected to be switched and routed through the local authority once the LSC ceased to exist. The Director of Finance and Estates drew Members' attention to the three financial indicators adopted under the Framework for Excellence. In accordance with the new Financial Health Assessment Model, the financial health of the College was expected to be at least 'good' during the planning period. The Director of Finance and Estates spoke on the covenant attaching to the College's medium term loan agreement with respect to the Learning Zone development. Under the terms of the covenant, there was a requirement on the College not to report a deficit in more than two consecutive years. Failure to comply with this term would mean that the loan could be terminated at prohibitively high cancellation costs to the College. The SMT had, therefore, recommended that the College should aim for a surplus of £117k in each of the following three years, since this amount was required to service the capital payments on the loan.

Discussion ensued concerning the following areas:

- i falling demographics and the likely impact on the local area
- ii the government's proposals to raise the participation age of all students in full-time education / training to 18

- iii benchmark information provided by the LSC which enabled the College's position to be compared with other colleges in relation to historic trends emerging across the sector from 2004/05 to 2007/08. In this respect, it was noted that there was some disparity in staffing costs as a percentage of income in the College's reported position compared with the benchmark figures. The College's target was some 4% over the recent sector average.

Members considered at length possible reasons for the disparity in the College's position with regard to staffing costs in comparison with other colleges. It was thought that this might be partly attributable to the College's status as a 'Beacon college' and the costs associated with achieving this outstanding level of performance. **It was agreed that** this matter should be explored further and a report made back to the Committee in the autumn term. It was noted that there was a typing error in the last line of the first paragraph on page 2 of the report. The figure of 17% should be amended to read 67%. Similarly, on the same page, the final title should read 'Proposed Financial Objectives 2009/10.

JF

JF

Members also considered the variation in the College's current ratio compared with the sector average and the probable reasons for this. They noted the proposed investment in support of the ILT Strategy. It was thought to be worth investigating whether the lifespan of some existing equipment could be extended for a further year. **It was agreed that** the new Director of Information and Planning should be invited to investigate this possibility, upon his appointment.

SH

In conclusion, subject to the correction of the typing errors which had been identified, Members recommended the proposed Financial Objectives for 2009/10 to the Corporation for approval on 7 July 2009.

15/09 BUDGET 2009/10 AND THREE YEAR FINANCIAL FORECAST 2009/12 INCORPORATING THE SENSITIVITY ANALYSIS

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

The Director of Finance and Estates spoke on the key financial factors which had informed the Budget and the Three Year Forecast. He confirmed that all relevant issues in the LSC Financial Planning Handbook had been taken into account. The proposals were consistent with the College's Strategic Plan and financial strategic objectives.

Members considered principal income and expenditure strands, noting that the expected out-turn for 2008/09 was a surplus of £121k. Discussion ensued concerning LSC funding level changes for 2009/10, which naturally underpinned the Budget. Members reviewed the forecasts in detail relating to the following categories:

- i Learner Responsive 16-18
- ii Learner Responsive 19+
- iii Employer Responsive, including Apprenticeships. **It was agreed that** the Director of Finance and Estates should amend the typing error so that the title in the middle of page 5 read 'Employer Responsive'.

JF

It was noted that provision had been made for a 1% increase in staff salaries payable from 1 January 2010. This would be subject to affordability and would need to be considered by the Personnel and Remuneration Committee and the Corporation nearer the time. It was recognised that efficiency savings would need to be generated to fund any such award.

The Director of Finance and Estates spoke on the forecasting assumptions which had been made. Discussion ensued concerning the loan facility which had been agreed with the Allied Irish Bank. It was noted that substantial charges would be incurred, under the breakage clause, should the College wish to reduce the agreed level of the loan. It was felt that it would be advantageous to conduct a full review of the cost / benefits of reducing liquidity levels compared with maintaining the current arrangements. The review would need to include a full risk analysis. **It was agreed that** the Director of Finance and Estates should conduct a review and submit a report to the next meeting of the Committee in the autumn term.

JF

Members noted that the government's tuition fee strategy had remained unchanged since a report had been made to the Corporation in March. In accordance with this, adult learners would be expected to contribute more towards their tuition fees year on year (47.5% in 2009/10). The Corporation had taken a view on the impact this was likely to have on demand. Members had agreed more modest rises in the Tuition Fees Policy for 2009/10 which had been approved at the Corporation meeting in March (Corporation minute 10/09 referred).

Members considered the likely impact of the recent letter which had been received from the LSC concerning the maximum contract for Employer Responsive provision for 2009/10 and the training to be provided for those who had been unemployed for six months or more. **It was agreed that** the Director of Finance and Estates should provide an overlay for those areas of the documents contained within appendix C which would need to be amended as a result of this notification. It was noted that there would be no change to the figures in the bottom line.

JF

Members reviewed the Sensitivity Analysis, which related to 2009/10. The Director of Finance and Estates advised that there were no areas which had been identified as falling within a high risk (red) category.

In conclusion, Members commended the Finance team for their efforts in preparing the Budget and Three Year Forecasts and referred the documents contained within appendix C, (subject to the agreed amendments being made) to the Corporation for approval on 7 July 2009.

16/09 LEARNING ZONE / ACCOMMODATION STRATEGY

The Committee received a written report from the Director of Finance and Estates, together with the Interim Valuation Report from Gleeds. The documents were contained within appendices Di and Dii respectively.

Members noted that the expected final account from Interserve had moved slightly, in a favourable direction, since the last valuation report in November.

The retention position remained unchanged. Monies withheld related to the satisfactory completion of remaining external works eg in relation to the sports pitch, Park Lane path and the pond. The Director of Finance and Estates advised that he continued to have some concerns about the adequacy of these amounts, although some of the latter had recently been increased following discussion with the cost consultant. Progress was slow in resolving outstanding issues since dialogue with the main contractor and the project management company was proving difficult. The Director of Finance and Estates reported that there was no change to the position reported at the last meeting concerning any potential claims from the contractor. Measures had been put in place to ensure that the College remained in a strong position to rebut any potential claims and Members noted that a file of evidence had been built up for this purpose, should it prove necessary.

The Director of Finance and Estates advised that landscaping was now substantially complete. The certificate of practical completion had been issued in January with regard to the external works, but the landscaping works relating to the sports pitch, Park Lane path and pond area had been excluded. A further query had been forwarded to Interserve when it had been discovered that certain landscaping works had been undertaken which were not in accordance with planning consent. A reply was awaited. Eversheds, the College's solicitors, were expediting outstanding legal matters relating to necessary boundary changes. In relation to the section 106 agreement, a decision was still awaited from local planners regarding the community use undertaking.

In conclusion, Members thanked the Director of Finance and Estates for his report and commended the papers contained within appendix Di and Dii to the Corporation meeting of 7 July 2009, for the information of all Members of the governing body.

17/09 EVALUATION OF CAPITAL EXPENDITURE 2008/09

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

The report indicated that there was an overall saving of £32k against the expenditure approved by the Corporation. It was planned to deploy some of this in acquiring new software and in addressing some ventilation problems within the senior management area. The Director of Finance and Estates was pleased to advise that all items had been procured on a VFM basis. He believed that they had further enhanced the standard of teaching and learning at the College.

18/09 CAPITAL EXPENDITURE PROPOSALS 2009/10

The Committee received written proposals from the Director of Finance and Estates, which were contained within appendix F.

The Senior Management Team had reviewed all bids made by College managers for capital expenditure for the forthcoming academic year. The bids provisionally approved by the SMT amounted to £156k, including VAT. Of this, £112k was to be spent in support of the ILT Strategy and £44k in support of the curriculum strategy. A query was raised concerning the price of

replacing the Apple Macs on the third page of the report. The Director of Finance and Estates would pursue this matter with the new Director of Information and Planning. **It was agreed that the final line of the document should be deleted.**

JF

JF

In conclusion, Members supported the proposals, and, subject to the aforesaid amendment being made, recommended approval of the capital expenditure for 2009/10 to the Corporation meeting of 7 July 2009.

19/09 DATE OF NEXT MEETING

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

Pamela J Connell
Clerk to the Corporation
24 June 2009