

## FINANCE & GENERAL PURPOSES COMMITTEE

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Meeting held on Wednesday 8<sup>th</sup> May 2013 at 5.00 pm  
in the College Board Room

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### MINUTES

**Present:** David Buckle, *Chair*  
Marie Gilluley, *Principal*  
Andrew Roberts

**In attendance:** Ian FitzGerald, *Vice Principal, Finance & Resources*  
Tracy Kitchingman, *Director of Financial Services*  
Mike Morris, *Director of Business and Enterprise*  
Peter Ryan, *Clerk to the Corporation*

*The meeting was quorate throughout.*

#### **19/13      Declarations of Interest**

Andrew Roberts and Ian FitzGerald, Vice Principal, Finance and Resources, declared their interest as Directors of Watertrain.

#### **20/13      Apologies for Absence**

Apologies for absence were received from Roy Murphy, Peter Syddall and Mark Burgoyne.

The Clerk confirmed that Jon Lord had resigned from Membership of the Corporation and the Finance and General Purposes Committee.

#### **21/13      Minutes of the Meeting of 20<sup>th</sup> February 2013**

The minutes of the meeting held on 20<sup>th</sup> February 2013, were agreed for the Chair to sign as a true and accurate record.

#### **22/13      Matters Arising**

The Clerk introduced the written Matters Arising report and confirmed that all matters arising had been addressed or were covered on the agenda.

**It was RESOLVED that the contents of the report should be noted.**

#### **23/13      Financial Monitoring 2012/13**

##### **a) Summary of Accounts to March 2013**

The Director of Financial Services introduced the report on the summary of accounts to March 2013.

It was noted that the headline performance was as follows:

- **Income** above profiled budget by £15k;
- **Payroll expenditure** above budget by £34k, which mainly related to the profiling of the contracted agency budget;
- **Non-pay expenditure** above profiled budget by £5k, which was mainly due to a combination of both positive and negative variances across a range of expenditure headings; and
- **Operating surplus** of £396k, compared to a budget profile of £421k, with a negative variance of £24k.

Attention was also drawn to the following performance indicators:

- **Learner numbers** 16 -18 learner numbers below target, Adult Learner Responsive funding was above target and WBL apprenticeship funding below target;
- **Total FTE staffing of 443**, 3 less than the budgeted average figure for the year;
- **Cash-in-hand of £1,635k**, giving 21 days in hand;
- **Debtor days of 62 days**, 20 more than the forecast of 42;
- **Creditor days at 13 days**, 37 less than the forecast of 50; and
- **Current ratio of 1.25:1**, affected by the use of the accruals (straight 12ths) for SFA and YPLA income, rather than the cash basis.

#### **b) Cash Flow position**

The Director of Financial Services introduced the report on the cash flow position, as at 31<sup>st</sup> March 2013. It was noted that the revised cash flow for the forthcoming year, as reported to Governors in November 2012, had been further updated to reflect the results of the second quarterly review (LEO2).

The cash in hand position as per the 3 year forecast submitted to the Skills Funding Agency in July 2012, had increased from LEO1 but had not materially affected the forecast cash position. The main reason for the increase related to timing changes for the receipt of the capital grant for the new build STEM Centre.

**It was RESOLVED that the content of the reports should be noted.**

**24/13**

#### **Results of LEO 2 for the Second Quarter**

The Director of Financial Services introduced the outcome of the second quarterly review to January 2013, Latest Estimated Outturn 2 (LEO2), based upon the management accounts to the end of January 2013. The report included summary schedules showing for each budget holder, the 2012/13 budget, LEO2 and a table of individual variances between the Budget and LEO2. Budget holders' commentaries and summary schedules had been placed on the College Intranet system for access by Governors.

Members noted that income and payroll costs had both increased and non-payroll costs had decreased compared to LEO1 and the net effect was highlighted. Members also noted the reasons for the variances.

It was expected that current performance, including the timing of funding for the new STEM centre, would ensure that the primary objectives of the revised financial strategy would be achieved. In

addition, the College would adhere to the financial covenants related to the loan facility.

Members discussed the impact of potentially breaching the financial covenants of the loan facility and the potential to renegotiate the interest rates and it was noted that a meeting with Barclays was due to be held within the next few weeks. It was agreed that options/risk report would be submitted to the next meeting.

It was also reported that given the fluid financial position it may be appropriate to wait until the associated risk were understood prior to updating the financial strategy.

**It was RESOLVED that:**

- a) the contents of the reports should be noted; and**
- b) an options/risk report on the financial covenants of the loan facility and the potential to renegotiate the interest rates, be submitted to the next meeting.**

**25/13**

### **Enrolment and Funding Data 2012/13**

The Principal introduced the report, which provided an update on Learner Numbers and funding performance for 2012/13, as follows:

- 16-18 learner volumes were currently below target and the reasons for this and actions being taken were highlighted within the report;
- 16-18 Apprentices continued to under achieve target recruitment; this was mirrored nationally with lower apprenticeship take up than in previous years. Recent work with franchise partners had improved the significantly low recruitment in the first 6 months but forecasting indicated that the initial allocation will not be met. As in 2011/12, the College's maximum contract had been reduced in the first half of the year to reflect current delivery;
- Adult Learner Responsive enrolments and SLN generation were currently ahead of targets and expectations. This was predominately due to the increased local demand and allowed the College to offset the poor take up of adult apprenticeships and other workplace learning; and
- Community learning numbers were currently below previous attainment at this time; however, the College still expected the annual target to be achieved.

Members noted that reports of learner progression and destinations had been reviewed by the Standards Committee and it may be appropriate to include this data in future update reports.

**It was RESOLVED that the contents of the report should be noted.**

**Funding Allocations 2013/14 (Confidential)**

*(This Item is confidential under the terms of the Freedom of Information Act as it refers to commercially sensitive information.)*

The Principal introduced the report which provided an update on the issues discussed by the Corporation in April 2013 relating to funding allocations for 2013/14 and the following three key areas were discussed in detail:

- **The new funding methodology for young people**  
It was noted that a case had been made to the EFA for an additional element of formula protection funding. A response was awaited.
- **High cost additional learning support**  
A proportion of this funding had been transferred to Local Authorities who reported that the funding they had received was inadequate. For 2013/14, Bolton Local Authority had confirmed their indicative allocation, but information was still awaited from the other seven Local Authorities whose learners wish to attend the College
- **Loans for learners aged 24+ on level 3 courses.**  
From September 2014, the College would receive no funding from the Skills Funding Agency for this group of learners. They would either have to pay for their course fees in full or take out an income-contingent loan. The actual position would not be known until enrolment in September.

Following questions, it was confirmed that training had been given to curriculum and admissions staff in order to maximise enrolment. In addition, the College had launched a marketing drive in respect of the availability of student loans.

The Senior Management Team continued to work on the range of cost saving options in the current year and during 2013/14, which had been shared with the Corporation.

The Committee had previously discussed potential options, including the use of accommodation, as part of the approval of a new Accommodation Strategy. It was now considered that the actions outlined within the report in respect of provision at the Horwich site and Farnworth/Deane Road usage with BSFC should now be implemented, together with communication and consultation as required. It was expected that a way forward would be agreed at a meeting with the Chair of the Corporation and Chairs of Committees to be held on 13<sup>th</sup> May 2013.

**It was RESOLVED that:**

- a) the contents of the report should be noted;
- b) the approach being taken by the Senior Management Team to achieve required savings be endorsed;
- c) the proposals outlined in the report in respect of the Horwich site and Farnworth/Deane Road usage with BSFC site, be approved in principle; and
- d) a further report be submitted to the next meeting, to include proposed options for key areas including Nurseries and Catering.

The Director of Financial Services introduced the report and confirmed that a meeting had been held between members of the College Executive Team and the SFA on 9<sup>th</sup> January 2013. At the meeting, the Head of Provider Financial Intervention & Support explained that, whilst recognising the limitations of comparing results with average and out of date information, the results were intended to stimulate discussion with the Corporation and add value. The results were not intended to indicate areas of concern or poor performance, but should be reviewed and agreed by the Corporation to be in line with College strategy.

The SFA had acknowledged that their own internal communications regarding the financial position of the College needed to be improved.

The College had agreed to prepare the midyear estimated outturn as requested, based on the LEO1 forecast and this had been submitted by the deadline of 28<sup>th</sup> February 2013. This would be reviewed by the SFA finance team and compared to the original forecast. A response had not yet been received.

**It was RESOLVED that the contents of the reports should be noted.**

**Bolton STEM Centre**

The Vice Principal, Finance and Resources introduced the report and highlighted the following points:

- The reworked bid for £1.4m capital funding, under the Enhanced Renewal Grant process had been approved. As part of the process the SFA had suggested that the BREEAM assessment should be revisited to improve the rating of the new build to “excellent”;
- The land acquisition had been completed on 27<sup>th</sup> March 2013;
- The issues relating to the temporary “stopping up order” had been resolved;
- The College Solicitors were finalising the Building Contractor appointment to enable construction operations to commence. In addition, a value engineering exercise would be finalised prior to the contract being issued;
- It was highlighted that additional expenditure had been incurred as a result of the BREEAM consultancy and “stopping up order” costs. However, savings achieved via the value engineering exercise would ensure that the project remained within the agreed budget; and
- The latest key programme dates would be revised following the completion of the Value Engineering exercise and reported to the next meeting.

**It was RESOLVED that:**

- a) the contents of the report should be noted; and
- b) the outcome and impact of the value engineering exercise would be reported to the next meeting of the Committee in June 2013.

**External Funding- Report on External Projects 2012/13**

The Director of Business and Enterprise introduced the report which detailed each project by category, together with income and expenditure as at 28<sup>th</sup> February 2013. Projects approved during the academic year were within three broad categories:

- regeneration of communities and capacity building;
- engaging and training priority groups; and
- supporting individuals who are/may be affected by unemployment/redundancy.

The projects had generated an income of £210k. It was noted that there no new new bids in excess of £100k.

**It was RESOLVED that the contents of the report should be noted.**

**Franchise Update 2012/13 (Confidential Item)**

*This item is confidential under the terms of the Freedom of Information Act since it refers to commercially sensitive information.*

The Vice Principal, Finance and Resources introduced the report and confirmed that, as had previously been reported, the College continued to secure additional apprentice partners in order to meet maximum contract values for the year: failure so to do could expose the College to significant clawback. Also, additional work with internal programme areas had been undertaken to increase the number of apprenticeship frameworks the College delivered internally.

The report detailed the performance of each franchise partner together with the performance of internally delivered provision.

**It was RESOLVED that the contents of the report should be noted.**

**Joint Ventures Update 2012/13 (Confidential Item)**

*This item is confidential under the terms of the Freedom of Information Act since it refers to commercially sensitive information.*

**a) Watertrain**

The Vice Principal, Finance and Resources introduced the report and confirmed that, on 18<sup>th</sup> April 2013 the Corporation had considered the continuation of the College's involvement in Watertrain Ltd and had agreed that:

- **the strategic aim outlined within the report be agreed and that shareholder discussions/negotiations should continue; and**
- **an update report would be submitted to the next meeting of the Finance and General Purposes Committee and Corporation.**

It was agreed that discussions and negotiations would continue and it was specifically agreed that each party would draw up what it would be prepared to accept/offer for the next shareholder/College representative meeting, with a view to moving towards one set of "Heads of Terms" which could be used as the basis for an agreed sale by one party to the other.

Members discussed in detail the latest position in respect of the Colleges option to dispose of its 50% shareholding in Watertrain including the potential sale price, arrangements for Intellectual Property Rights, the impact on water engineering provision and staff. It was noted that further negotiations would be required.

**It was RESOLVED that:**

- a) the contents of the report should be noted;**
- b) the potential risk to staff within the water engineering department be noted;**
- c) a recommendation be made to the Corporation to dispose of the Colleges shareholding in Watertrain Ltd, subject to the sale price and associated issues being finalised; and**
- d) the Principal be authorised to negotiate all other terms associated with the transaction, including an IPR license and ongoing contractual arrangements for supply of administration services to Watertrain Ltd.**

**b) Abu Dhabi**

The Vice Principal, Finance and Resources introduced the report which provided an update on the position of both the short courses (and possible other work) and the proposal to wind up the Abu Dhabi operation.

In respect of short courses, it was noted that a MOU was not presently deemed necessary and proposals for the 4 short courses, including delivery dates, had been submitted for signature to TRANSCO. An order for delivery had not yet been received.

Members noted that costs incurred by the College in 2012/13 would amount to the rental of the office in Abu Dhabi i.e. £14k. This expenditure would keep the office open, and thus maintain a legal presence for the rest of this academic year. However, the College's Bank (Standard Chartered in Dubai) had informed the College that it was a Central Bank of the UAE requirement that each bank account holder had a valid Trade License, without which it becomes impossible to operate the bank account.

To repatriate the money in the Bank account to the UK, the College needed to renew its trade license, which would cost circa £5k. The sponsors had informed the College that to do this would require a lease agreement with at least three months remaining. The current lease agreement ended on 30 June 2013. The lease would cost £7k for 6 months period. The possibility of an extension to the current lease to give the 3 months required to validate the license was being pursued.

Following questions, Members noted that money had been left in the bank account in order to fund local course delivery and the sponsors had not alerted to College to the issue in respect of the repatriation of monies.

**It was RESOLVED that:**

- a) the contents of the report should be noted;**
- b) immediate action be taken to repatriate funds, at no cost, and that activity in Abu Dhabi should cease upon receipt of such funds; and**

- c) **if required, expenditure to renew the trade licence and extend the lease be approved, at minimal cost, in order to repatriate funds and that activity in Abu Dhabi should cease upon receipt of such funds.**

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### **Risk Management Monitoring 2012/13**

The Vice Principal, Finance and Resources, introduced the report and confirmed that the first section highlighted actions taken to implement the recommendations arising from an internal audit report from RSM Tenon and the second section covers the annual review of the risks themselves as far as they are under the control of, or monitored by, the F&GP Committee.

Members reviewed the 4 recommendations arising from the RSM Tenon report and made the following points:

- The Risk Maturity was in the right place at “Managed”;
- Some form of simplification of the Register would be useful and could include a colour coded summary of the top 10 risks facing the College together with a summary of those risks within the remit of the Committee, in rank order; and
- Particular attention should be paid to the highest scoring risks under the new scoring system.

It was noted that the Risk Register, last updated in July 2012, had been further amended. Attention was drawn to the amended Register and the sections within the responsibility of the F&GP Committee.

The Committee reviewed the areas within the Action Plan for which it had responsibility to monitor activity, and that the application of the revised scoring mechanism and new controls now embedded would result in all areas being below the threshold of “significant” for action plan recording. This change had been reflected within the Risk Register.

Members also concluded that no further permanent or transient risks were required to be included in the Risk Register.

**It was RESOLVED that:**

- a) **the contents of the report should be noted;**
- b) **the actions and risk scores highlighted within the report, for which the Committee had responsibility, be approved;**
- c) **no additional permanent risks be included on the Register;**  
**and**
- d) **no additional transient risks be included on the Register.**

33/13

### **VAT Update**

The Vice Principal, Finance and Resources, introduced the report and confirmed that at a recent AoC North West Finance Directors’s meeting, Deloitte had made a presentation relating to potential VAT savings on college construction projects. Following the presentation, the College had met with Deloitte on 11<sup>th</sup> April 2013, to discuss the possibility of VAT savings in relation specifically to the Deane Road Project and also to ascertain whether or not a VAT saving could be

effected for the current STEM centre project. The purpose of the report was to explain the proposal made by Deloitte and secure approval for the College's participation in the scheme.

Following discussions it was confirmed that:

- given the 4 year time limit to file VAT repayment claims a claim needed to be submitted by 30<sup>th</sup> June 2013;
- the College would not be required to enter into any court hearings as the VAT principle would be determined by the lead case;
- participation in the scheme by the College would be on a no win/no fee basis;
- Deloitte was the only tax advisor currently offering the service; and
- there was no risk to the College.

**It was RESOLVED that:**

- a) the contents of the report should be noted;**
- b) the appointment of Deloitte to facilitate the College's participation in the scheme be approved; and**
- c) the fees payable to Deloitte in the event that the outcome is successful be approved.**

**34/13**

#### **Any Other Business – ERG Grant Letter**

The Vice Principal, Finance and Resources, introduced the report and confirmed that the College had successful in its recent bid to the SFA under the ERG banner and received a formal notification and details of grant requirements in a letter from the National Director of Capital dated 24<sup>th</sup> April 2013.

The report highlighted the requirements of the grant in order that Members could determine the nature, frequency and content, in terms of KPI's, of reporting required to the Corporation on the STEM project.

Members reviewed the conditions and reporting requirements outlined within the capital grant letter.

**It was RESOLVED that:**

- a) the contents of the report should be noted;**
- b) the actions required to enable the Principal to confirm acceptance of the SFA offer be noted; and**
- c) proposed monitoring data to be reported to the Corporation and F&GP committees should adhere to the recommendations of the Internal Audit Service Capital Project Best Practice Review and include:**
  - i) the revised elemental analysis as soon as it is completed and a copy of the phased expenditure profile as submitted to the SFA with the letter of acceptance will be issued to Governors;**
  - ii) details of expenditures against the profile and the elemental analysis will be issued to Governors on a monthly basis;**
  - iii) copies of the T&T project reports will be issued to Governors, usually six weekly; and**
  - iv) project update reports covering cost, programme, Quality/Design and Risk will be submitted to each meeting of the F&GP and Corporation.**

35/13

**Dates of Future Meetings**

Wednesday 19th June 2013 at 5.00 pm

**The Meeting closed at 7.25pm.**

**As approved by the members for the Chairperson to sign as a true and correct record.**

**Chairperson .....**

**Date: .....**