

FINANCE & GENERAL PURPOSES COMMITTEE

Meeting held on Wednesday 28th November 2012 at 5.00 pm
in the College Board Room

MINUTES

Present: David Buckle, *Chair*
Marie Gilluley, *Principal*
Jon Lord (to item 58/12b)
Roy Murphy
Andrew Roberts
Peter Syddall

In attendance: Mark Burgoyne, *Vice Principal, Curriculum*
Ian FitzGerald, *Vice Principal, Finance & Resources*
Peter Ryan, *Clerk to the Corporation*

The meeting was quorate throughout.

46/12 Election of Chair 2012/13

David Buckle was elected as Chair of the Committee for the Academic Year 2012/13.

47/12 Declarations of Interest

Andrew Roberts and Ian FitzGerald, Vice Principal, Finance and Resources, declared their interest as Directors of Watertrain. Andrew Roberts and Jon Lord declared their interests in item 55/12.

48/12 Apologies for Absence

Apologies for absence were received from Tracy Kitchingman.

49/12 Minutes of the Meeting of 20th June 2012

The minutes of the meeting held on 20th June 2012, were agreed for the Chair to sign as a true and accurate record.

50/12 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.

Financial Statements 2011/12

The Vice Principal, Finance and Resources confirmed that the purpose of the report was to provide Governors with a summary of the finalised audited financial position as at 31 July 2012. The Financial Services Department had finalised its work on the Financial Statements in October. The statements had been audited by the College's Financial Statements Auditor, Grant Thornton UK LLP, who had issued a management letter and an unqualified audit opinion.

It was confirmed that the Audit Committee, at a meeting on 19th November 2012, had approved the wording of sections vi, viii, xi and x of the Letter of Representation, as they related to internal controls and systems to prevent and detect error and fraud.

Members of the Committee were asked to review and approve the wording of the Letter of Representation to the Financial Statements and Regularity Auditors, prior to recommending signing by the Corporation. Members noted that the final review by Auditors may result in some presentational changes but no amendments to the figures.

Members asked that in future the executive summary should refer to surplus/deficit not surplus. Also the final payroll outturn in section 4 should be £17,375k.

It was RESOLVED that:

- a) **the contents of the report be noted; and**
- b) **the Corporation be recommended to approve the Letter of Representation and Financial Statements 2011/12.**

Enrolment and Funding Data Outturn 2011/12 and position for 2012/13

The Vice Principal, Curriculum, introduced the report, which provided an update on Learner Numbers and funding outturn performance for the Academic Year 2011/12 and an update for 2012/13, as follows:

a) FE Learner Numbers and Funding

16-18 year old recruitment continued as planned with all targets being achieved for learner volume, SLN and funding. As in other previous years, additional funding would not be realised in a direct way as the contract or target funding was a maximum annual value.

Adult Learner Responsive (ALR) numbers had remained strong for the year despite increased tuition fees. It was expected and planned to enrol more adults than in the previous year, due to changes in fee remission. Much of the curriculum has been realigned to meet SFA priorities.

In respect of 2012/13, the enrolment of 16-18 year old learners was currently 87%, compared to 95% in 2011/12. The College faced a significant challenge to recruit to target in the remainder of the year. Adult learner recruitment and enrolment had gone extremely well and current figures showed that the College was ahead of funding allocations for the year

b) Apprenticeship and other Workplace Learning Delivery

In 2011/12, the maximum contract value after the revaluation through quarters 1, 2 and 3 was 84%. This was due to an in year Maximum

Contract Value reduction and the poor apprenticeship take up against profile.

In preparation for 2012/13, work had been undertaken to broaden the range of companies and partnership organisations that the College engaged with. This has led the College to secure a number of contracts that support the delivery of the Employer Responsive provision within the Adult skills Budget. Additional work with internal programme areas had also been undertaken to increase the number of apprenticeship frameworks the College delivered internally. This was set to continue to increase the College portfolio offered directly to employers.

Following questions, it was confirmed that it was expected that these targets would be achieved.

c) Community Learning

In 2011/12, the College had maintained the strong enrolments seen earlier in the year and achieved the targets agreed through the contract with Bolton Council.

In 2012/13, early indications showed that Community Learning recruitment was somewhat behind the profile generated in the previous year. Added to this was an increased target of 7500 enrolments (an uplift of 453) which represented an increase of 6.5 %.

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

53/12

External Funding- Report on External Projects 2011/12

The Vice Principal, Finance and Resources introduced the report and confirmed that, 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 £544k. It was noted that there were no new bids in excess of £100k.

Following questions, it was reported that the underperformance of two projects were mainly related to coding issues and difficulty in securing job outcome income.

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

54/12

Annual Report on Capital Expenditure 2011/12

The Vice Principal, Finance and Resources introduced the report and confirmed that in 2011/12, £500k had been set aside for the purchase of capital items defined in the Financial Regulations as:

“Expenditure in excess of £500 (£250 for IT equipment) incurred on items expected to have a useful life beyond the year of account”.

The report detailed the nature of capital expenditure incurred during 2011/12 and it was noted that all purchases had been made in

accordance with the College's Financial Regulations and the requirements of bank covenants.

It was noted that there were two main areas of expenditure which were not included in the original capital expenditure forecast for 2011/12. The Executive team had supported the request to remodel the Construction and Arts Centre to accommodate curriculum development in renewable technologies, (£68k) and support growth in plastering student volumes (£33k). In addition, the College incurred expenditure in relation to Phase 3 of the new build project comprising professional fees.

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

55/12

Annual Report on Waivers from the Financial Regulations 2011/12

The Vice Principal, Finance and Resources introduced the report and confirmed that the Financial Regulations permitted the Principal or the Vice Principal, Finance and Resources, to waive the requirements of the Financial Regulations under exceptional circumstances. In line with the Financial Regulations approved by the Corporation in July 2011, the report detailed waivers issued in the 2011/12 financial year.

It was noted that 84 waivers had been issued in 2011/12 compared to 151 in the previous year. Also, action had been taken in respect of several minor breaches of the Financial Regulations. In addition, Members noted the improvements that would be implemented during the current year in order to streamline purchasing and secure increased value for money.

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

56/12

Financial Monitoring 2012/13

a) Summary of Accounts to September 2012

The Vice Principal, Finance and Resources introduced the report on the summary of accounts to September 2012.

It was noted that the headline performance was as follows:

- **Income** below budget by £261k, mainly in SFA and EFA supplementary income;
- **Payroll expenditure** below budget by £4k, which mainly related to the profiling of the contracted agency budget;
- **Non-pay expenditure** below budget by £344k, which was mainly due to a combination of both positive and negative variances across a range of expenditure headings; and
- **Operating surplus** of £779k, compared to a budget of £742k, with a positive variance of £37k.

Attention was also drawn to the following performance indicators:

- **Learner numbers** 16 -18s and 19+ were under review and apprenticeship funding was below the profile;
- **Total FTE staffing of 442**, 6 less than the budgeted average figure for the year;
- **Cash-in-hand of £4,519k**, giving 63 days in hand;
- **Debtor days of 60 days**, 17 more than the forecast of 43;
- **Creditor days at 35 days**, 13 less than the forecast of 48; and

- **Current ratio of 1.36:1**, affected by the use of the accruals (straight 12ths) for SFA and YPLA income, rather than the cash basis.

b) Cash Flow position

The Vice Principal, Finance and Resources introduced the report on the cash flow position, as at 31st October 2012. It was noted that the cash flow for the forthcoming financial year was derived from the budgeted income and expenditure as reported to Governors in July 2012.

The cash in hand position as per the 3 year forecast submitted to the Skills Funding Agency in July 2012, included assumptions with regard to the timing of the savings in relation to the restructure for 2012/13 and 2013/14. The savings realised had improved the forecast cash position for the year. The cash in hand position as at 31 July 2013 was noted.

The new build STEM Centre costs and financing were fully reflected in the monthly cash flow analysis. The College cash in hand position, was adversely affected in the early part of the year as costs were expended prior to the receipt of the final tranche of the Skills Funding Agency grant in 2013.

Following questions, it was confirmed that, if the STEM project did not go ahead, the cash position as at 31st July 2013 would rise from £2.33m to £6.63m. As had been previously reported, the cash flow position of the College needed to be maintained at the forecast level to ensure debt repayment costs for the new build could be met. The cash flow would continue to be monitored closely.

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

57/12

Financial Plan 2012/15 – Response from the Skills Funding Agency

The Vice Principal, Finance and Resources introduced the report which provided a response from the SFA to the College 3 year financial forecast. This confirmed SFA agreement with the College's self-assessment of Satisfactory for 2011/12, Satisfactory for 2012/13 and the overall underlying grade being Satisfactory. However, for the first time, the SFA had included data comparing the College performance to that of "average colleges" based on 2010/11 key indicators.

It was noted that the College accounted for a number of elements which were directly related to the new build – depreciation, SFA grant debtor (short and long term), loan creditor for the bridge and long term facilities and the releases of capital grant. In addition the College embarked on a restructure programme and, whilst this was accounted for as a provision in the 2011/12 accounts, the actual cash impact of the voluntary severance payments occurred in August 2012. These elements were not significant features in "average" colleges and therefore distorted comparability.

It was intended that a mid-year financial update would be submitted to the SFA in January 2013 and members of the Executive Team would meet with representatives from the SFA to discuss the position of the College in more detail.

It was RESOLVED that:

- a) the contents of the report and actions should be noted; and
- b) members of the Executive Team will meet with representatives from the SFA to discuss the position of the College in more detail.

58/12

Joint Ventures Update 2011/12 (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 two shareholders' meetings had been held to discuss and resolve issues and a number of other meetings of College representatives had also taken place to consider progress.

A draft Business Plan had been received on Friday 16 November and was subject to a further small revision on 19 November. The Business Plan would be reviewed with a report being submitted to the next meeting of the Committee.

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

Jon Lord withdrew from the meeting at 6.02pm

b) Abu Dhabi

The Principal introduced the report which included:

- a chronology of previous reports to the Corporation and F&GP;
- a breakdown of income and expenditure for 2010/11, 2012/12 and 2012/13; and
- a proposal to undertake a strategic review of the venture.

The Principal confirmed that, despite the significant investment of funding and staff time, Governors had expressed concern at the slow progress made in securing income for this initiative. Governors had requested that a strategic review be undertaken, however, the costs of this had proven to be prohibitive. In addition the opportunity costs of staff time invested in the initiative had to be considered. Accordingly the Committee was being asked to consider winding up the activity, other than the delivery of 8 short courses within agreed timescales and profit levels.

Members of the Committee recognised the difficulties and challenges that such an initiative posed and reiterated their concern that there had been little return for the staff time and funding invested so far. Members also recognised the potential benefits of the initiative.

Members noted the payments and retainers made to consultants and that no such payments were continuing in to 2012/13. It was also noted that the only fixed costs that the College was committed to in 2012/13, was £14k, which related to the rental of office space.

Members discussed in detail the potential for future work and the timing of the potential for winding up activity in Abu Dhabi.

It was **RESOLVED** that:

- a) the contents of the report should be noted;
- b) the MOU with CERT be progressed in order to deliver 8 short courses;
- c) contractual details for the delivery of 8 short courses, including delivery dates, purchase orders and costs, to be agreed as soon as possible with the aim of completion of delivery prior to the next meeting, within agreed timescales and profit levels outlined within the report;
- d) no further costs, other than the delivery costs of the 8 short courses (which will be covered by the guaranteed income) and £14k office rental, should be incurred;
- e) there should be no further expenditure or commitment of resources in pursuance of additional opportunities unless this is covered contractually and committed by clients in advance and any such costs are covered by up front payments via a pro forma invoice; and
- f) the proposal to wind up activity in Abu Dhabi be considered again at the next meeting of the Committee, in February 2013.

59/12

Bolton STEM Centre Proposal

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

Land Purchase – the SFA had approved the purchase of the site for the sum outlined within the report. Heads of Terms had been agreed with the Council and the College's Solicitors were currently preparing a contract in order that the site can be acquired by the College.

Tender for a Contractor - Tender information had been issued on Tuesday 31st July 2012 with a tender return date of Monday 10th September 2012. The tenders had been assessed by Turner & Townsend's Design Team on a qualitative and financial basis with a 60/40 weighting respectively. The cost of the preferred Contractor was higher than the budget and it was intended that a schedule of Value Engineering Proposals would be agreed and incorporated into a contract sum that met the College's budget.

Programme and key dates -the following key dates would apply:

- Standstill period to comply with OJEU Regulations – minimum 10 days from 11th December 2012.
- Contract Mobilisation - 7th January 2013.
- Main construction period commences – 11th March 2013.
- Project Handover – 08.11.2013
- College move, training, familiarisation of 2 weeks from 11th November 2013 with a proposed opening date of 25th November 2013.

Funding the Project – the report highlighted the cash resources available to fund the project and the impact on bank covenants, together with the impact on the financial forecast for 2013/14.

Potential Risks – the report highlighted the potential risks in respect of the appointment of the Contractor and an assessment of future risks relating to changes to the funding methodology in 2013/14.

Members reviewed the report in detail and asked that it be updated to highlight what would be the return on the investment in terms of additional income and/or increasing/maintaining market share. Also what other options, including costs, were available and had been considered to deliver the initiative. It was agreed that the original business plan would be revisited and an updated report which would address these issues would be submitted to the Corporation.

It was RESOLVED that:

- a) the contents of the report should be noted; and**
- b) subject to the issues identified by Members being satisfactorily addressed, a recommendation be made to the Corporation that the project be approved and the Contractor appointed.**

60/12

M&E Tender (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 Tenet Education Services, the College Procurement consultants, had undertaken a tender process on behalf of the College in accordance with OJEU procurement regulations.

A comprehensive specification had been prepared for all sites which included asset lists and pertinent information. A Pre-Qualification Questionnaire (PQQ) was published and 17 Companies responded by submitting a completed PQQ. Seven Companies were short listed and invited to Tender. Members reviewed the tender values and the arrangements implemented to evaluate each tender submission.

It was RESOLVED that:

- a) the contents of the report should be noted; and**
- b) Lorne Stewart PLC be appointed to provide M&E services on a 3 year contract commencing on 1st January 2013.**

61/12

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. This was set to continue to increase the College portfolio offered directly to employers.

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

Governor Performance Measures for 2011/12 and Self Evaluation

The Clerk introduced the report which provided an evaluation of the achievement of Performance Targets, which were divided into two sections, the first related to the main responsibilities of the Corporation, and the second related to the main activities of the Corporation.

Also, at the meeting of the Search and Governance Committee on 2nd June 2010, it had been recommended that each Committee should be asked to discuss a series of short questions to elicit responses on Members' views on how members, in particular new members, were able to contribute to the work of the Corporation and its Committees, and how Members felt that the Committee as a whole was executing its role and contributed to the work of the Corporation. The forms were updated by the Corporation in July 2012, in order to include an evaluation of the Chair and Chairs of Committees.

Members reviewed both forms as follows:

a) Corporation

- i. Do you feel able to make an effective contribution at Corporation meetings? **Yes**
- ii. Have you gained sufficient understanding of the College to make an effective contribution to the Corporation? **Yes**
- iii. Have you any training needs to assist you as a Member of the Corporation? **See annual forms**
- iv. How effectively do you think the Corporation discharges its remit and responsibilities (as laid down in its Instrument and Articles of Government)? **Very Well**
- v. Role of the Chair:

Responsibility:	Comments:
Agendas are clear and well structured	Yes
All items of business are discussed	Yes
All members are given the opportunity to have their views heard and valued	Yes
Clear decisions are reached	Yes
Meetings start and finish on time.	Yes

b) F&GP Committee

- i. Do you feel able to make an effective contribution at meetings of the Committee? **Yes**
- ii. Have you gained sufficient understanding of the College's matters in relation to Finance and General Purposes to make an effective contribution to the Committee? **Yes**
- iii. Have you any training needs to assist you as a Member of the Committee? **None identified**
- iv. How effectively do you think the Committee discharges its remit and responsibilities (as laid down in its Terms of Reference)? **Very well**
- v. What is your opinion of the interface between the Corporation and the Committee in relation to Finance and General Purposes matters? Is there too much repetition? **Good but room for reduced volume of paperwork.**
- vi. Role of the Chair:

Responsibility:	Comments:
Agendas are clear and well structured	Yes
All items of business are discussed	Yes
All members are given the opportunity to have their views heard and valued	Yes
Clear decisions are reached	Yes
Meetings start and finish on time.	Yes

It was **RESOLVED** that:

- a) the contents of the report should be noted; and
- b) the response from the Committee be reported to the Corporation.

63/12 Any Other Business

There were no items of any other business

64/12 Dates of Future Meetings

Wednesday 20th February 2013 at 5.00 pm

Wednesday 8th May 2013 at 5.00 pm

Wednesday 19th June 2013 at 5.00 pm

The Meeting closed at 7.29pm.

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

Chairperson

Date: