

FINANCE & GENERAL PURPOSES COMMITTEE

Meeting held on Wednesday, 24th June 2015 at 5.00pm
in the College Board Room

MINUTES

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

In attendance: Mark Burgoyne, Vice Principal, Curriculum
Carl Hosker, Director of Estates
Tracy Kitchingman, Executive Director, Finance
Sharon Marriott, Director of Adults and HE (to item 39/15)
Angela Potter, Barclays Bank (to item 38/14)
Peter Ryan, Clerk to the Corporation

The meeting was quorate throughout.

34/15 **Declarations of Interest**

There were no declarations of interests.

35/15 **Apologies for Absence**

Apologies for absence were received from Peter Syddall.

36/15 **Minutes of the Meeting of 6th May 2015**

The minutes of the meeting held on 6th May 2015, were agreed for the Chair to sign as a true and accurate record.

37/15 **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.

38/15 **Barclays Bank Loan**

Angela Potter, Barclays Bank introduced her letters of 6th and 15th June 2015, which provided background information on the loan facility and confirmed that the Bank no longer provided loan funding to the FE Sector on an unsecured basis and any revised terms, following a breach, would therefore need to be on a secured basis.

The Bank was still looking to conclude a renegotiation of the existing financial covenants with the College and anticipated reaching a mutually acceptable set of revised financial covenants, which would

provide a more appropriate basis for the future measurement of covenant compliance.

Following detailed discussion the following points were made:

- In the view of the Bank, when the original loan facility had been agreed, given the financial projections for the sector, it did not matter if in the loan was secured or unsecured. However, the significant reductions in funding across the whole FE sector had resulted in much higher risks and any revised terms would therefore need to be on a secured basis;
- The College had breached one of the Bank covenants last year i.e. the Net Operating Cash Flow to Debt Services Costs had not achieved the required 1.25:1 ratio;
- The Bank would reissue a letter of “reservation of rights” in respect of the breach in 2013/4, before the end of the 2015 financial year end;
- The indicative timescales and process were:
 - The Bank would have a firmer idea of the Colleges position to service its debts in October 2015 and would wish to renegotiate the financial covenants, in order allow the College sufficient headroom to operate flexibly and in return provide the Bank with additional security;
 - Following the evaluation of the Colleges position in October 2015, the Bank would issue a discussion document which would include options for new covenants and details of security that would be sought by the Bank;
 - The discussion document could be reviewed by the Finance and General Purposes Committee in November 2015;
 - The deadline for the completion of the renegotiation process was 31st July 2016;
 - The outcome of the renegotiation would be recorded in a letter of variation;
- 9/12's of the loan was on a fixed rate and could not increase and any change to this would include break costs;
- The College would be expected to fund any valuation of the main campus plus any associated legal costs, but there would not be an additional arrangement fee; and
- The College was still awaiting the transfer of freehold for the new building from the Local Authority;

Members thanked Angela Potter for attending the meeting and she offered to attend future meetings.

Angela Potter withdrew from the meeting at 5.42pm

Following a question, the Executive Director, Finance confirmed that the breach of the Bank covenant had been reported to the F&GP in November and Corporation in December 2015, as part of the Financial Forecast and draft budget for 2014/15.

Members also discussed if the breach could have been avoided and it was reported that the beach had been circa £300k and was the result of normal trading rather than a significant event.

Members agreed that appropriate external advice be sought as part of any renegotiation process and that this should include the Skills Funding Agency.

It was RESOLVED that:

- a) the contents of the report be noted; and**
- b) update reports be presented to future meetings.**

39/15

Higher Education Fee Proposals 2016/17

The Director of Adults and HE introduced the report which proposed the HE Fees Policy for 2016/17, in order to meet the information needs of the HE funding body, The Higher Education Funding Council for England.

Following questions, it was confirmed that there was some consistency of approach to fee levels across Greater Manchester and the fees proposed represented a base level which would be amended to reflect market forces. In addition, it was confirmed that the HE staff base also delivered FE provision and were supported by a small number of HE specialist staff.

It was RESOLVED that:

- a) the contents of the report be noted; and**
- b) the HE Fees Policy for 2016/17, be agreed.**

Sharon Marriott withdrew from the meeting at 6.07pm

40/15

Financial Monitoring 2014/15

The Executive Director, Finance introduced the report on the summary of accounts to 30th April 2015. It was noted that the headline performance was as follows:

a) Summary of Accounts to April 2015

The Executive Director, Finance introduced the report on the summary of accounts to 30th April 2015.

It was noted that the headline performance was as follows:

- **Income** below by £12k, with negative variances in SFA/EFA and Tuition Fee income, with all other income streams being in line or slightly ahead of profile;
- **Payroll expenditure** above by £4k, mainly due to profiling;
- **Non-pay expenditure** below budget by £60k, which was mainly due to a combination of both positive and negative variances across a range of expenditure headings; and
- **Operating surplus** of £1,710k, compared to a LEO2 revised budget of £1,666k, with a positive variance of £44k.

Attention was also drawn to the following performance indicators:

- **Learner numbers** FE learner number were at 99% of target and 19+ were at 79%, expressed in terms of the overall value of the Adult Skills Budget;
- **Total FTE staffing of 413**, 20 less than the budgeted average figure for the year;
- **Cash-in-hand of £2,586k**, giving 38 days in hand;
- **Debtor days of 98 days**, 89 more than the forecast of 9;
- **Creditor days at 32 days**, 16 less than the forecast of 48; and

- **Current ratio of 1.45:1**, affected by the cash balance and the use of the accruals (straight 12ths) for SFA and EFA income, rather than the cash basis.

b) Cash Flow Position

The Executive Director, Finance introduced the report on the cash flow position, as at 30th April 2015. Members reviewed the key changes in the cash flow forecast as follows:

- The LEO2 reported cash in hand position of £2,014k for July 2015 had been amended slightly to reflect the work undertaken in forecasting the 2014/15 year-end balance sheet;
- The Financial Forecast to be submitted to the Skills Funding Agency by the end of July 2015 had been reflected in the rolling 12 month cash position;
- The Skills Funding Agency grant in respect of the full contract value for 19+ Apprenticeships, which was paid on profile, monthly, would be subject to final reconciliation after the October 2015 student submission, with any shortfall to be repaid in January 2016. The forecast surplus excluded this targeted under achievement; the cash received being offset by a year-end creditor; and
- As has been previously reported, the cash flow position of the College continues to be a challenge, as the level of cash balances need to be improved to ensure debt repayment costs could be continued to be met. The cash flow would continue to be monitored closely.

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

41/15

Financial Forecast including Draft Budget 2015/16

The Executive Director, Finance introduced the report and confirmed that each College in England was required to submit, to the appropriate funding body by 31st July each year, a financial forecast for the period commencing 1st August, following approval by the College's Corporation.

The plan covered the forecast outturn for the current year, 2014/15, the budget 2015/16 and a forecast for 1 year, 2016/17. The first year of the forecast, the budget, must still be approved by the Corporation prior to the end of the current year.

Members were asked to review the following documentation:

- | | |
|------------|--|
| Appendix 1 | Three-year forecast in approved Format: |
| | Table1 Income and Expenditure |
| | Schedule 1d Payroll Expenditure |
| | Schedule 1e Non payroll Expenditure |
| | Table 2 Balance Sheet |
| Appendix 2 | Commentary to the Plan |
| Appendix 3 | Financial Objectives |
| Appendix 4 | Indicative Health Group |

As a result of discussions, the following points were highlighted:

- The Income showed a decrease over the 2 year period of £2.9m. The significant changes were the removal of the onerous lease

- provision income, £1.9m, and continued funding cuts, which were only assumed to be partially offset by growth in other areas;
- The increase in payroll costs in 2015/16, of £378k, which mainly related to changes in employer on-costs;
 - An 15% efficiency target had been set as part of the delegated budget principles;
 - the repayment of the SFA 2014/15 under achievement of Adult Apprenticeships, which can occur after the SFA's reconciliation process, would result in a significant cash repayment in January 2016. This had been fully accounted for in the College's forecast. The Bank had agreed to consider if this could be adjusted for in 2015/16, to ensure a true calculation of performance against the covenants is calculated;
 - The impact on the Financial Covenants had been discussed earlier on the agenda and were highlighted within the report;
 - Members asked that a note be added to the surplus figure (including enhanced pension but excluding FRS 17) of £972k, as detailed in the table within section 4.3, to confirm that this included the onerous lease provision release for Horwich of £757k.
 - The self-assessment of financial health was Good for 2014/15 and Satisfactory for 2015/16 and 2016/17.

In addition, Members were aware of the Chancellor's recent announcement of additional £900m savings, to be found in year from both the Department for Education and Department for Business, Innovation and Skills. Also, the indicative funding allocations which formed the basis of the 2015/16 budget forecast were not considered finalised until the funding contract was issued.

The Sector awaited the detail on the impact of the savings, but, as colleges were contractually required to agree and approve their forthcoming year's budget by 1st August, any changes in funding and actions required to mitigate the impact would have to be reported to the Corporation and Committee as part of the 2015/16 budget monitoring and review process.

Members asked that an update be provided at the Corporation meeting and that if the impact of the Chancellor's announcement became clearer before the end of July and early significant action was required, then a special meeting of the Corporation should be held before the end of July 2015.

It was RESOLVED that:

- a) the contents of the report should be noted;**
- b) the Financial Forecast, incorporating the budget for 2015/16, should be recommended for approval by the Corporation, at its meeting on 9th July 2015, prior to submission to the appropriate funding body;**
- c) if the impact of the Chancellor's announcement became clearer before the end of July and early significant action was required, then a special meeting of the Corporation should be held before the end of July 2015.**

42/15 **Enrolment and Funding Data for 2014/15**

The Vice Principal, Curriculum, introduced the latest KPI position of learner numbers/funding against targets for 2014/15, taken from the College Dashboard, in the following areas:

- 16-18 FE
- 16-18 Apprenticeships
- Adult Class-based
- Adult Apprenticeships (19-23)
- Adult Apprenticeships (24+)
- Community Learning - Bolton College
- Community Learning - Local Authority
- Higher Education
- 24+ loans

Following questions, it was confirmed that the 96% achievement of Adult Apprenticeships funding was against the rebased target.

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

43/15 **External Funding Bids and Projects 2014/15**

The Vice Principal, Curriculum introduced the report which provided an update on externally funded projects approved and running during 2014/15. It was noted that there were no new bids in excess of £100k.

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

44/15 **Franchise Update 2014/15 including the Birtenshaw Contract**
(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, Curriculum introduced the report which detailed performance in terms of funding and learner numbers including the final position for 2013/14 and the latest position for 2014/15 and highlighted the following key issues:

- All partners except Watertrain/Varis had been given notice of termination; and
- Work has ceased with three out of the eight partners and a further two were close to completion.

The Vice Principal, Curriculum reminded Members that the College was asked to support Birtenshaw School, During 2014/15, this work had been treated as a partnership sub-contracting arrangement. Birtenshaw School had been working with the EFA to secure its own direct contract. This was still ongoing but unlikely to be granted for the 2015/16.

For the reasons outlined within the report, the College had agreed to continue to work with the school in a similar capacity for 2015/16 and was finalising the contractual arrangements which would ensure that any costs incurred by the College would be covered by the contract.

The contract would be subject to the new funding rules which, together with the associated risks, had been highlighted with the Committee on 6th May 2015.

Members supported the initiative and asked that robust contract management arrangement should be in place and maintained and that performance of the contract should be reported to the Committee.

It was RESOLVED that:

- a) the contents of the report be noted; and**
- b) the Birtenshaw contract be agreed for 2015/16 and that robust contract management arrangements should be in place and maintained and that performance of the contract should be reported to the Committee.**

45/15

Sub-Contracting (Fees & Charges) Policy 2015/16

The Vice Principal, Curriculum introduced the report which highlighted the new draft policy for sub-contractor fees and charges relating to Skills Funding Agency (SFA) & Education Funding Agency (EFA) funded learners.

When approved by the Committee, and subsequently by the Corporation, it was proposed that the narrative element of the policy would be put onto the website and that the risk rating table for additional charges would be provided, on request, to potential partners at the enquiry stage.

It was RESOLVED that:

- a) the contents of the report be noted; and**
- b) the Corporation be recommended to agree the Sub-Contracting (Fees & Charges) Policy 2015/16.**

46/15

Bolton STEM Centre Update (Confidential)

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

The Director of Estates introduced the update report and confirmed that, as had been reported previously, Turner and Townsend were still in the process of preparing and agreeing, with Heron Bros the final account for the project. The College had reiterated its position to Turner and Townsend, as part of the final account discussions that it was not willing to enter into a negotiated settlement with Heron Bros. The final account needed to be based on works completed, evidenced and substantiated.

It was RESOLVED that:

- a) the contents of the report be noted;**
- b) the Committee supported the Management Teams approach to resolve the issue; and**
- c) no part of the Turner and Townsend additional fee claim should be released until all outstanding matters were brought to a satisfactory conclusion.**

47/15

Crisis Management Plan/ISU Back Up Plan

The Director of Estates presented the updated Crisis Management Plan which incorporated the backup strategy and procedures relating to IT systems within College. He confirmed that the purpose of the Crisis Management plan was to:

- Raise awareness in managers and staff about the potential for an emergency or crisis incident;
- Specify the management arrangements established by the College for the purpose of crisis management;
- Provide basic information to all members of staff about how to respond if a crisis incident occurs;
- Set out the core process for the management of a crisis incident and define the responsibilities of key functions in that process; and
- Provide detailed guidance for managers on procedures for specific types of crisis incident.

Members agreed that the Crisis Management Plan was very comprehensive and asked the Management Team to consider the development of a high level business continuity plan.

It was RESOLVED that the:

- a) the contents of the report be noted;**
- b) the Crisis Management /ISU Back Up Plan were adequate and suitable for the College; and**
- c) the Management Team be asked to consider the development of a high level business continuity plan.**

48/15

Financial Support for Students Annual Report

The Vice Principal, Curriculum introduced the report which identified the various strands of financial assistance available to students attending College courses, and provides information on how this money was allocated to support students during 2013/14.

It was noted that the Student Financial Support Policy for 2013/14 had been reviewed prior to the start of the academic year and the criteria for the distribution of funds amended to ensure that any funds made available by the EFA and SFA could be effectively utilised. The report also highlighted the positive impact on Learner retention rates

Members welcomed the detail of the report and the impact that financial support had on learners and asked that the report for 2014/15 be brought forward to the autumn term 2015 meeting.

It was RESOLVED that :

- a) the contents of the report be noted; and**
- b) the report for 2014/15 be brought forward to the autumn term 2015 meeting.**

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

49/15

Competitive Tenders and Awards (Confidential Item)

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

The Director of Estates introduced the report and confirmed that the College had undertaken separate, fully compliant, Official Journal of the European Union (OJEU) tender processes, in conjunction with two other Colleges, for the provision of Reprographics and Interactive Whiteboards.

a) Reprographics

Tenet Education, on behalf of the College, had received six submissions by the closing date of 29th April 2015. Utilising the pre-determined scoring criteria, the tender responses and the results of the selection panel feedback, each supplier was awarded an overall score, which were detailed within the report.

b) Interactive Whiteboards

Tenet Education, on behalf of the College, had received fifteen submissions by the closing date of 18th June 2015. The submissions were scored by Tenet Education and the College IT team, with the tender documentation being split into two stages. The first stage focused on compliance to the specification and the second focused on the mobilisation plan and price. Each supplier was awarded an overall score, which were detailed within the report.

It was RESOLVED that:

- a) the contents of the reports should be noted;**
- b) in respect of Reprographics, to approve the award of a contract to the highest scoring supplier, as detailed within the report, for a period of three years, with an option to extend for a further two 12 month periods, subject to suitable performance; and**
- c) in respect of Interactive Whiteboards, to approve the award of a contract to the highest scoring supplier, as detailed within the report, for the replacement of 129 Interactive Whiteboards.**

50/15 Review of Committee Terms of Reference and Business Items 2015/16

The Clerk confirmed that, as part of the self-evaluation process, each Corporation Committee would review its Terms of Reference at the final meeting of the academic year, to enable the complete set of Committee Terms of Reference to be approved by the Corporation at the meeting on 9th July 2015.

Members asked that the schedule of business items be amended to ensure that the Financial Support for Students Annual Report 2014/15 be brought forward to the autumn term 2015 meeting.

It was RESOLVED that:

- a) the contents of the report be noted;**
- b) the Committee’s Terms of Reference and Business Items for 2015/16, amended as above, be recommended to the Corporation for approval.**

51/15 Any Other Business

There were no items of Any Other Business.

52/15 Dates of Future Meetings

To be agreed at the Corporation on 9th July 2015.

The meeting closed at 7.15pm.

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

ChairpersonDate.....