

FINANCE & GENERAL PURPOSES COMMITTEE

Meeting held on Wednesday, 26th November 2014 at 5.00 pm
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
Peter Ryan, Clerk to the Corporation

The meeting was quorate throughout.

53/14 Election of Chair 2014/15

David Buckle was elected as Chair of the Committee for the Academic Year 2014/15.

54/14 Declarations of Interest

There were no declarations of interest.

55/14 Apologies for Absence

Apologies for absence were received from Peter Syddall.

56/14 Minutes of the Meeting of 25th June 2014

The minutes of the meeting held on 25th June 2014, were agreed for the Chair to sign as a true and accurate record.

57/14 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.

58/14 Financial Statements 2013/14

The Executive Director, Finance confirmed that the Financial Services Department had finalised its work on the Financial Statements in October 2014. The statements had now been audited by the college's Financial Statements Auditors, Grant Thornton UK LLP, who had

issued a management letter and an unmodified audit opinion. The draft management letter had been reviewed by the Audit Committee at their meeting on 25th November 2014. The report provided a summary of the finalised audited financial position as at 31 July 2014.

The Financial Statements would be submitted to the Corporation on 8th December 2014, for approval prior to submission to the Skills Funding Agency by the end of December 2014.

Members reviewed the issues discussed by the Audit Committee and noted that, the College had breached one of the Bank covenants i.e. the Net Operating Cash Flow to Debt Services Costs had not achieved the required 1.25:1 ratio. Members asked that the management team should urgently seek clarification on one part of the Bank letter and continue discussions with the Bank and auditors, with the outcome being reported to the December Corporation on 8th December 2014.

Members also noted that the treatment of the onerous lease clause in relation to the Horwich Campus and the reclassification of the long term loan, as a short term creditor would have a negative impact on the SFA's financial health auto score. This had the potential to trigger external intervention strategies. Members supported the management team strategy to discuss this matter with the SFA and seek moderation of the financial plan autoscore of "inadequate" to at least "satisfactory", with the underlying outcome remaining "Good".

It was RESOLVED that:

- a) the contents of the report be noted;**
- b) the Committee approve and recommend to the Corporation the wording of the Letter of Representation to the Financial Statements and Regularity Audit; and**
- c) the management team, in liaison with the Financial Statements Auditors, should continue discussions with the Bank to seek a greater level of assurance in respect of the breach of the financial covenant.**

59/14

Enrolment and Funding Data Outturn 2013/14 and Update for 2014/15

The Vice Principal, Curriculum, introduced the report, which provided an update on learner numbers and funding outturn performance for the Academic Year 2013/14 and an update for 2014/15, for the following major funding streams:

- 16-18 Learners;
- Adult Classbased Learners;
- Apprenticeships;
- Higher Education; and
- Community Learning.

Members noted the performance to date for 2013/14, which was good overall, other than the recent poor performance of WBL, and the good start to recruitment for 2014/15, as evidenced by the College Dashboard.

Members asked if the if strategy to directly deliver to learners who had not achieved via partnership arrangements was realistic. It was

confirmed that this would be challenging but every effort to support and secure success for learners would be made.

Members asked what the impact had been of the 24+ loans and it was confirmed retention was better for those learner who had taken out a loan.

Following further questions, it was confirmed that the College Business Development Team was actively working with employers in order to increase the number of internally delivered apprenticeships.

It was RESOLVED that:

- a) the contents of the report be noted;**
- b) Members are encouraged to access the Dashboard between meetings.**

60/14

Annual Report on Capital Expenditure 2013/14

The Executive Director, Finance introduced the report and confirmed that in 2013/14, £750k had been set aside for the purchase of capital items as defined in the Financial Regulations.

The report detailed the nature of capital expenditure incurred during 2013/14 and it was noted that all purchases had been made in accordance with the College's Financial Regulations. The Barclays loan facility included a clause on allowable levels of investment. The maximum investment per year was £750k. In recognition of the one off STEM centre Capital Build Project, the College had sought, and the Bank had agreed, a variation to this restriction for 2013/14, allowing additional in year expenditure of £4.3m.

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

61/14

Annual Report on Waivers from the Financial Regulations 2013/14

The Executive Director, Finance introduced the report and confirmed that 110 waivers had been issued in 2013/14 compared to 101 in the previous year. A small number of minor breaches of Financial Regulations had been reported to the Executive Director, Finance relating to non-compliance of required procedure. Budget holders continued to be reminded of their responsibility to comply. During 2013/14, as the new On-Line purchase ordering system (POP's) was being implemented some tolerance was afforded to budget holders in recognition of the significant change in process, this would not be the case from 2014/15 onwards.

Member considered that there were too many waivers and asked that the Financial Regulations be reviewed in order to differentiate between genuine waivers and those areas where there was only one supplier. In addition, in order to make comparative judgments, future reports should include information on values and volumes of purchase orders and actual spend.

It was RESOLVED that:

- a) the contents of the report be noted;**

- b) the Financial Regulations be reviewed in order to differentiate between genuine waivers and those areas where there was only one supplier; and
- c) future reports should include information on values and volumes of purchase orders and actual spend, in order to determine what percentage of orders, by value, had waivers.

62/14

Financial Monitoring 2014/15

a) Summary of Accounts to September 2014

The Executive Director, Finance introduced the report on the summary of accounts to September 2014.

It was noted that the headline performance was as follows:

- **Income** above budget by £7k, there were positive variances in tuition fees and other income and all other income streams were behind profile, with the exception of HE which was on budget;
- **Payroll expenditure** below budget by £35k, which mainly related to the profiling of the contracted agency budget;
- **Non-pay expenditure** below budget by £24k, which was mainly due to a combination of both positive and negative variances across a range of expenditure headings, with no material single variance in any particular heading; and
- **Operating surplus** of £2,040k, compared to a budget of £1,974k, with a positive variance of £66k.

Attention was also drawn to the following performance indicators:

- **Learner numbers**, would be known at the October ILR report ;
- **Total FTE staffing of 412**, 21 less than the budgeted average figure for the year;
- **Cash-in-hand of £3,551k**, giving 52 days in hand;
- **Debtor days of 62 days**, 47 more than the forecast of 15;
- **Creditor days at 29 days**, 22 less than the forecast of 51; and
- **Current ratio of 2.01:1**, affected by the higher debtor balance in addition to the use of the accruals basis(straight 12ths) for SFA and YPLA 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 September 2014. Whilst the September 2014 forecast was in line with the original financial plan, there were a number of factors which would be reflected at the first full review of the forecast outturn (LEO1). The significant changes to reflect the revised strategy for the delivery of the sub contracted work based learning provision and the resultant impact on the classroom based provision and delivery costs was highlighted. It was not envisaged that the forecast would be adversely impacted upon to such a degree to reduce the surplus or cash in position to levels to cause any concern.

Members sought and secured reassurance that the Bank would continue to be appraised of the College's outturn forecast via continued meetings with the Principal and Executive Director Finance and the through the issue of regular reports.

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

Funding Allocations 2014/15 (Confidential Item)

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

The Principal introduced the report which provided an update on the areas of potential saving identified at the last meeting. These included:

- Further Subsidy Reviews;
- Water Engineering Provision;
- Printing & Photocopying update;
- Horwich Lease; and
- Sick Pay Scheme.

At the current time, the Management Team had not identified any major risks to funding streams and were not recommending any new savings measures. The position would be further scrutinised as part of the LEO1 process, in January 2014.

Members discussed, in detail, the continued affordability of the current staff sick pay scheme. It was noted that this had also been raised by the Employment Committee and the report to that Committee would be emailed to Members of the F&PG as background information. The position, together with options in respect of pensions, would be reviewed again as part of the 2015/16 budget process.

It was RESOLVED that:

- a) **the content of the reports should be noted; and**
- b) **the position would be further scrutinised as part of the LOE1 process, in January 2015.**

Bolton STEM Centre Update

The Director of Estates introduced the update report and confirmed the following key actions:

- The new STEM Centre had reached practical completion and was handed over to the College on 29 July 2014;
- The building was officially opened by Sir Richard Noble on 16th October 2014. This followed a week of activity, supported by the Bloodhound project, as part of which in excess of 1,200 school children had attended the centre;
- There continues to be a settling in period whereby snagging, fit out and operational concerns are resolved, however, classes have commenced and positive feedback has been received both from learners and staff;
- Turner and Townsend were currently preparing and agreeing the final account for the project with the Contractor;
- As reported previously to the Corporation, Turner and Townsend had requested additional fees which need to be substantiated before a decision was made. A meeting had been arranged to resolve this issue on 8th December 2014; and
- The College was required, as part of the Enhanced Renewal Grant (ERG) funding, to submit a final statement of funds position. Due to the on-going negotiations in relation to the final account, a draft statement had been sent to the Skills Funding Agency to meet the 31st October 2014 deadline. It had been agreed that the final

statement would be sent once the account was finalised in January 2015.

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

65/14 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 and the final outturn on projects for 2013/14. 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.

66/14 Franchise Update 2013/14 (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 outlined the rationale for undertaking franchise activity, the quality assurance arrangements that had been implemented and contractual issues.

It was clear from the report that a number of franchise partners had significantly underachieved and an action plan was in place to manage the position. A full review of performance had been taken place and the majority of current partners would not receive any additional contracts. The funding position was noted as follows:

- **16-18:** Funding had finalised at 102% of the contract value; and
- **19+:** The high volume of carryover activity from the previous year took the College approximately £250k above the initial adult target for 2013/14. This was supported internally by a switch of funding from classbased provision. There had been no adult starts allocated to partners, although some would be delivered internally within the existing cost base.

Members were aware of the challenges to move away from Franchise arrangements, to direct delivery and asked that every effort be made to support learners who were still on programme to complete and succeed.

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

67/14 Bad Debt Write Off

The Executive Director, Finance introduced the report and the attached request, which had been prepared by the Director of Business and Enterprise, which detailed the circumstances surrounding the outstanding debt and confirmed it was deemed uncollectable. The requirements of the Financial Regulations were also highlighted.

As formal approval could not be secured prior to year end the debt remained as an outstanding balance, it was however included in the bad debt provision in recognition that it was deemed not recoverable.

Members asked if there was any possibility that this debt could be repaid and were assured that the debt was deemed uncollectable.

Members were aware of the implications of the WBL action plan and confirmed expectations that the College had learnt from the experience

and such bad debts would not be repeated. It was confirmed that new arrangements ensured that any payments to sub-contractors had to be approved, in advance, by the Executive Director, Finance and the Vice Principal, Curriculum.

It was RESOLVED that the:

- a) contents of the reports should be noted; and**
- b) request to write off of the debt, as outlined within the report, be approved.**

68/14

Joint Ventures Update 2013/14 - Watertrain (Confidential Item)

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

The Principal introduced the report and confirmed that, as a result of mediation, a settlement payment had now been reached. The matter of court costs could not be settled and a specialist “costs draftsman” was reviewing the position. It was anticipated that this should be resolved before the end of December 2014.

It was RESOLVED that:

- a) the contents of the report and should be noted; and**
- b) an update on the court costs be reported to a future meeting.**

69/14

College Dashboard Reporting

The Vice Principal, Curriculum introduced the report and demonstrated the latest version of the Dashboard. He confirmed that the second phase of the Dashboard project would be completed within the next couple of weeks and further clarity of the content of each Tab would be provided.

In addition, the report to the next Corporation would highlight which Tabs should be reviewed by each Committee, together with the identification of high level Key Performance Indicators.

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

70/14

Insurance Update

The Executive Director, Finance introduced the report and confirmed that College management had meet with Marsh Ltd, to undertake the annual review of insurance policy costs and levels of cover. As part of this process the STEM centre had been added to the cover and value for money options reviewed. Two areas of cover had been identified where changes could be made to reduce the overall premium, without reducing any mandatory cover requirements. They were Governor Liability and Travel and Business Travel.

Members asked that the College should consider making a claim for legal defence costs, relating to the joint venture proceedings, to both the current and previous insurers.

It was RESOLVED to:

- a) note the content of the report;**
- b) approved the proposed reduction in cover for Governor Liability and Travel and Business Travel ; and**

- c) **note the revised summary of cover and premiums.**

71/14

Governor Performance Measures for 2013/14 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? **Reflected in the annual forms and one Member would like to meet with the Executive Director, Finance.**
- 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

- vi. Key Strengths of the Corporation
 - Broad range of skills and experience in order to fulfil duties and accountabilities; and
 - Willingness to act with integrity and address serious issues.
- vii. Areas of weakness/development for the Corporation
 - Continue to be aware of the impact of the high level of demand and expectations on Governors; and
 - To become closer to the Learner Experience.

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 specific at this time.**
- iv. How effectively do you think the Committee discharges its remit and responsibilities (as laid down in its Terms of Reference)? **Very effective.**
- v. What is your opinion of the interface between the Corporation and the Committee in relation to standards matters? Is there too much repetition? **Very good balance.**
- 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

- vii. Key Strengths of the Committee
 - Broad range of skills and experience, from different Sectors in order to fulfil duties and accountabilities; and
 - High level of scrutiny and an appropriate depth of discussion.
- viii) Areas of weakness/development for the Committee
 - The new accounting requirements that would apply in 2015/16(SORP).

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.

72/14

Any Other Business

There were no items of any other business.

73/14

Dates of Future Meetings

Wednesday 11th February 2015 at 5.00 pm

Wednesday 6th May 2015 at 5.00 pm

Wednesday 24th June 2015 at 5.00 pm

The Meeting closed at 7.06pm.

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

Chairperson

Date: