

**MINUTES OF A MEETING OF THE FINANCE & RESOURCES COMMITTEE
HELD ON THURSDAY 9 JULY 2009 AT 8.00AM**

PRESENT:-

Richard Brackenbury
Geoff Hall – Principal
Tim Richmond

IN ATTENDANCE:-

David White – Interim Vice Principal – Corporate
Andrew Hartley –Executive Director of Funding and Financial Resources
Jo Boulton – Director of HR
Claire Kay – Clerk to the Corporation

1. **APOLOGIES FOR ABSENCE**

Apologies were received from Christine Goldstraw, Anne Adams, Lucy Dadge and James Lacey. As the Chair of the Committee was not in attendance, members appointed Tim Richmond to chair the meeting.

2. **DECLARATIONS OF PERSONAL INTEREST IN AGENDA ITEMS**

There were no declarations of interest to note.

3. **MINUTES**

Minutes of the meeting held on 6 May 2009 were approved and signed.

4. **MATTERS ARISING**

There were no matters arising from the minutes.

5. **FRAMEWORK FOR EXCELLENCE**

The Committee were presented with the scores for the key performance indicators published by the LSC for 2007/08. The F&R Committee had been assigned Financial Health and Use of Resources to monitor which related to the financial dimension of the framework.

Members monitored financial health on a regular basis as part of the monitoring of management accounts and noted its fluctuations monthly indicating an overall position of good financial health. The 3 relevant Use of Resources performance indicators varied from satisfactory to outstanding indicating, on average, good use of resources. Members considered the framework gave assurance by benchmarking against the sector.

The financial management and control score remained in line with the Ofsted view of outstanding. Members considered it was important to retain close scrutiny of this area given the more challenging financial landscape.

The report was noted by members.

6. **MANAGEMENT ACCOUNTS FOR MARCH 2009**

The Committee reviewed the May management accounts which indicated a year to date operating surplus of £429k compared to a budgeted operating surplus of £410k. The performance was considered on track for achieving the revised forecast position of £875k surplus at the year end.

Members noted that the budget profile in year was out of line with actual performance and it was noted that the profiling would be developed for the next academic year. Debtors remained high although some of the large outstanding debts were progressing and should be resolved by year end, the large number of small student debts were becoming increasingly difficult due to the current financial climate.

The management accounts for May were noted by the Committee.

7. PROJECTED OUTTURN 2009/10

Following from the May management accounts the Committee considered the likely outturn position for the year. Uncertainties lay around the final volume of demand-led provision, especially Train 2 Gain and the actuarial valuation of the pension costs required for disclosure at the year end. Members were pleased to note the overall budget position at the mid year forecast was likely to be slightly exceeded giving rise to an operating surplus of approximately £1m.

The College's performance against funding targets was reviewed and it was noted that although 16-18 FTE targets had been achieved the funding allocation was likely to be underachieved by approximately £1m, however this amounted to 98.8% of the target. Conversely the adult provision was over allocation by approximately £500k.

Members reviewed the Balance Sheet position noting the effect of the revolving credit arrangement coming to an end in July 2010 resulting in a large increase in current liabilities as the loan moved into creditors owed within 12 months. During the next year the Director of Funding and Finance would return to the Committee with proposals of future funding options.

The effect of the capital funding crisis was explored and its affect on the 2008/09 results was reviewed. Members considered the impact on the College to be low this year due to the gradual write-off over the last 3 years, of costs attributed to progressing the Property Strategy. Members considered this strategy has been prudent and considered it evidence of good financial management.

The report was noted.

8. TERMLY REPORT ON DEMAND-LED AND PARTNERSHIP FUNDING

The volume and margins of partner delivery for 2008/09 were reviewed. Members noted the area of provision (8.3% of overall provision) was considered high risk with an average contribution rate of 25% (budget 23%).

Members noted the overall percentage of partnership delivery was above the LSC's 5% benchmark for franchise delivery. Although there was an increased risk to overall quality performance of the College with higher proportions of partnership delivery, steps had been taken to mitigate the risk with a quality audit of partners, the cost of which impacted on the lower contribution expected from partnership delivery.

It was expected that due to the cuts in Train 2 Gain for 2009/10 the proportion of partnership provision would reduce. The report was noted by the Committee.

9. TERMLY REPORT ON COLLEGE COMPANIES

Members were updated on the recent resolutions from the Board meetings of both subsidiary companies. Following independent advice obtained the Board of Directors for both companies recommended that steps be taken to ensure the winding up of the companies as soon as possible.

Members sought assurance that the risks of novating contracts to the College and any other considered risks associated with the actions of winding up had been satisfactorily explored.

The Committee agreed to recommend to the Corporation:

- **that all assets and liabilities of Visions Learning Ltd be transferred and all contracts novate to the College with effect from 1 August 2009**
- **that an application to admit NCNPS Ltd to the ncn VAT Group be submitted to HMRC**
- **that all assets and liabilities of NCNPS Ltd be transferred and all contracts novate to the College as soon as possible thereafter**
- **that both subsidiaries be dissolved by application to Companies House at the earliest opportunity.**

10. FUNDING ALLOCATION

Members reviewed the funding allocation for 2009/10. The 16-18 and 19+ allocations were considered good and inline with strategic priorities, the apprenticeship funding had been limited by the LSC and it was considered that the College could deliver above the allocation. The employer responsive allocation was significantly down on 2008/09 levels and although considered high risk, the College had invested heavily in delivery through this funding channel. The allocation was significantly lower than the College's strategic plan.

Members noted the report and considered the impact of the allocations on the financial forecast under the next item.

11. ANNUAL BUDGET 2009/10 AND FINANCIAL FORECAST ASSUMPTIONS

The underlying operating surplus and UK GAAP position for the forecasted 3 years was reviewed by the Committee. The underlying operating surplus showed a steady surplus position of around £800k, the UK GAAP position was dependent on the level of actuarial pension costs for the Local Government Pension Scheme (LGPS) which had been estimated at a constant level of £1.8m. Members noted that the next actuarial valuation was due in March 2010 and that the results of this actuarial may result in increased employers contribution rates to address the deficit.

The overall financial strategy for the contribution rate of 50% from curriculum areas continued. A modest increase in income and costs was forecast throughout the period, taking account of the constraints placed on growth by LSC funding. No capital transactions had been included in the forecast period, but an increase in maintenance costs was included to reflect the increased costs of maintaining the building stock.

During 2009/10 it was noted that the cessation of the revolving credit facility in July 2010 resulted in net current liabilities. The effect on cashflow would be monitored closely and during the year options for future financing reviewed. Members were pleased to note that the financial health remained good throughout the forecast period.

The main risks in achieving the forecast plans were considered to be external to the College. The uncertainty around the future funding streams of LSC income and the costs associated with the LGPS could impact on the planned financial position but these could not be directly influenced by the College. The impact on the movement of funding to Local Authorities could not be assessed at present but it was considered likely to impact from 2012. The Committee would monitor these risks to achieving the budget throughout the period.

The Committee resolved:

to recommend the budget for 2009/10 and the financial forecast for 2009-2012 to the Corporation for approval.

12. **PAY AND HARMONISATION**

The Director of HR was welcomed to the meeting and presented to members two proposals which had been developed in association with the Unions with respect of harmonisation of lecturers pay and harmonisation of support staff contractual arrangements.

The proposal on pay would fully implement the 2004 pay deal for lecturing staff over the next 2 years building in productivity gains and realising associated savings. The additional costs had been included in the budget and financial forecast and implementation would be based on affordability. The College's continuous quality improvement plans would be supported by the new pay proposal and the Unions had given support to the performance management regime.

The Committee explored the financial implication of the proposal with respect to the assumptions made within the budget and were satisfied, subject to the final pay award settlement, that the proposal was affordable in 2009/10. The proposal was established such that future implementation was dependent on the overall College financial position and members considered this important to retain due to the future uncertainties noted previously.

The harmonisation of support staff contracts was required due to the historical mergers and it was considered after 10 years harmonisation was important. The revised terms and conditions would streamline administration and emphasise the commitment to continuous improvement and move all staff onto an annual leave entitlement of 24 days.

The Committee resolved to:

- **support the proposal to implement fully the harmonised pay scale for lecturers under the terms of the agreement appended to the report which focuses on performance improvements and clearly states that progression is subject to the financial standing of the College.**
- **support the proposal to harmonise the terms and conditions of employment of all Business Support Staff.**
- **recommend both proposals detailed above to the Corporation for approval.**

13. **ACCOMMODATION STRATEGY UPDATE**

Andy Donaghue joined the meeting for this item.

The report outlined the current position of the national capital crisis. The College was revising the previously agreed Property Strategy in light of the changes in capital funding and would present this at the October Board meeting. Development options were concentrating on curriculum specific areas and inspiring learning spaces within the current College estate. Innovative funding solutions would be explored and partnership arrangements considered.

The report was noted.

14. **DISABILITY LEAVE SCHEME**

As part of the College's commitment to equality and diversity the Committee was presented with a Disability Leave Scheme which enhanced the ability of disabled staff to take time off for disability related reasons without using annual leave or recording time off as sick leave. Members considered this a positive development to support disabled staff.

The Committee resolved to:

Recommend the Disability Leave Scheme to the Corporation for approval.

15. **RISK MANAGEMENT ISSUES ASSIGNED TO THE COMMITTEE**

The risks assigned to the committee from the 2008/09 risk register were reviewed and the actions taken to mitigate the risks noted. A revised report was being developed for 2009/10 to monitor the risk score during the year and highlight more clearly to the Committee if risks were increasing or decreasing during the year.

16. **UPDATE OF DUE DILIGENCE**

Due to commercial sensitivity, a confidential minute was recorded for this item.

17. **CONFIDENTIALITY OF BUSINESS**

The confidential minute relating to the discussion under items 16 would be retained as confidential due to commercial sensitivity.

18. **DATE OF NEXT MEETING**

The dates for the 2009/10 cycle of meetings were noted.

The Chair closed the meeting at 10.30am.

SIGNED: _____

DATE: _____