

**MINUTES OF A MEETING OF THE FINANCE & RESOURCES COMMITTEE
HELD ON WEDNESDAY 11 MARCH 2009 AT 8.00AM**

PRESENT:-

Christine Goldstraw - Chair
Anne Adams
Geoff Hall – Principal
James Lacey

IN ATTENDANCE:-

David White – Interim Vice Principal – Corporate
Andrew Hartley – Executive Director of Funding and Financial Resources
Andy Donoghue – Director of Capital Projects
Claire Kay – Clerk to the Corporation

1. **APOLOGIES FOR ABSENCE**

Apologies were received from Tim Richmond and Val Mattinson. Lucy Dadge sent her apologies following 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 4 December 2008 were approved and signed.

4. **MATTERS ARISING**

There were no matters arising from the minutes.

The Committee agreed to take items 5 and 9 together as the discussion for these items was linked.

5. **MANAGEMENT ACCOUNTS FOR JANUARY 2009**

The Committee reviewed the January management accounts which indicated a year to date operating deficit of £518k compared to a budgeted operating surplus of £31k. The UK GAAP deficit had increased from a budgeted position of £401k to £1,452k.

The majority of the variances within the operating position were due to the forecasting of Train to Gain. The College had aimed to move towards 60% college delivery during the year but the partnership delivery was still high and was reflected in the increased partnership fees in the management accounts. The costs of delivery in this area were also higher following the increased controls put in place to mitigate the high level of risk for this provision. The LSC had over-contracted with the College for Train to Gain and the accounts reflected the expected College targets in this area rather than the much higher LSC contract.

A significant element of the adverse variance of the UK GAAP position was due to further increases in the pension costs notified during last term. The delays nationally in the capital programme had resulted in a need to reclassify the costs associated with the Basford project. £422k had been transferred from capital to revenue in the month; £250k capital

support grant was expected from the LSC, with a net position of £172k charged to the income and expenditure account.

The management accounts for January were noted by the Committee.

6. MID YEAR FORECAST 2008/09

A review of the in year budget following individual school and service reviews had been undertaken and a revised mid-year forecast presented to the Committee. The original budget position indicated an operating surplus of £882k and a UK GAAP surplus of £16k. Following the budget review members were pleased to note that the operating position remained materially unchanged with a forecast outturn of £875k demonstrating the budget was being well managed.

It was noted that the College was benefiting from the new funding methodology as the income relating to 16-18 year olds was protected for the current year despite the likely underperformance on student number targets in this area. This will be altered in targets for future years and school resources would be managed to reflect the changes in activity levels. The College was over performing against adult funding targets and would be entitled to additional funding in this area which was reflected in the mid-year forecast.

The cash position would be revisited before the year end as the revolving credit arrangement taken out to smooth the cash flow of the capital programme and improve the net current assets was due to come to an end in July 2010. The current borrowing rate was very favourable but a review of the future cash need was required.

The revised pension costs for the year had increased from £866k to £1,486k; this along with the costs associated with the write off of capital costs for Basford (discussed under item 5 above) had led to a restatement of the UK GAAP surplus moving from £16k to a deficit of £841k.

Members discussed in detail the context of the FRS17 disclosures and the impact of reporting the unpredictable fluctuations in the pension charges. Members noted the growing track record of well a managed operating position of the College and the importance of this for external stakeholders and lenders. It was agreed that it would be recommended to the Corporation to report management accounts at the underlying operational level, noting the UK GAAP position with the detailed UK GAAP position to be explored at mid-year forecast and year end.

The Committee resolved:

to recommend to the Board to receive the mid-year forecast and approve the revised budget for 2008/09.

7. TERMLY REPORT ON DEMAND-LED AND FRANCHISING

This report had been deferred to a future meeting, the date of which would be discussed under agenda item 16.

8. TERMLY REPORT ON COLLEGE COMPANIES

The report outlined the current position on the companies' activities.

New College Nottingham Property Services Ltd

The company had not yet been collapsed due to problems locating the original lease arrangement. Advice was being sought on alternative courses of action.

Visions Learning Ltd

Following a review of the employment position of catering staff it had been agreed that from 1 November 2008 all staff employed through Visions Learning would transfer to the College. The company was still being used to record the costs and income from the catering operation but the aim was to return this to the direct control of the College.

The report was noted.

9. **ANNUAL REVIEW OF FINANCIAL REGULATIONS**

The Committee noted the review cycle of the Financial Regulations and the requirement for the Board to review the changes every three years. The main changes were identified in the report. These were considered appropriate by the Committee. In addition members requested the authorisation of business expenses and overseas expenses for the Chair of Corporation to include the Vice Chair as an additional signatory due to possibility that the Chair of Corporation was also the Chair of F&R, leaving only the Chair of Audit as a signatory of expenses. The use of the Vice Chair in this role was considered appropriate.

Members discussed the section relating to treasury management and referred to the discussion at the last meeting about the need to review the types of institutions considered appropriate for investment options. AH reported that the Treasury Management Policy review had been recommended from an internal audit report during the last round of audit reviews and would be revised for the next F&R Committee to consider.

The Committee resolved:

to recommend the revised Financial Regulations to the Board.

10. **ACCOMMODATION STRATEGY UPDATE**

Members noted the College Accommodation Strategy submitted to the LSC in July 2007 had indicated phase one of the strategy was the development of the Basford campus with phase two to consider a new City centre site and refurbishment of the Berridge Centre. In December 2008 the Corporation had approved the application in principle (AiP) for the re-development of Basford at a total cost of £56.7m committing the College to £18.7m of expenditure on the project. It had been expected that the AiP would be considered by the LSC Regional Council in January 2009.

Members noted the consequences of the recent national developments had left the AiP awaiting Regional Council consideration, once the national review was complete. This had resulted in delays in the timing of the original plan as further work on the project, following the notification of the decision by the LSC National Council in January, would have exposed the College to financial risks without Regional Council approval in principle.

Members considered the potential impact of these developments on the overall Accommodation Strategy in terms of affordability, asset base and fiduciary duties of the Board. These issues would be discussed further at the March Corporation meeting and at the strategic planning event in May.

The Committee:

- **Noted the possible consequences of the LSC decision to defer the determination of the capital projects on the College's Accommodation Strategy;**
- **Recommend to the Board that no further expenditure be committed to the Basford Hall AiP;**
- **Recommend the Board revisit the options available for the whole Accommodation Strategy moving forward.**

11. **FRAMEWORK FOR EXCELLENCE – USE OF RESOURCES**

The Committee were updated with the changes to the Framework for Excellence published in January. The key performance indicators assigned to the Committee with respect to financial health remained unchanged, however those relating to use of resources were being reviewed and the Committee would be informed once the outcome of the review was known.

12. FUNDING ALLOCATIONS 2009/10

The final allocations for 2008/09 were reported to the Committee along with the indicative allocations for 2009/10. The impact of the 2008/09 performance in 16-18 provision on the allocation for 2009/10 was identified as a risk mitigated to a degree by the increased funding for adults. Members suggested that the sensitivity analysis relating to the various possible outcomes should be considered and the risks identified built into the budget planning for 2009/10.

The report was noted.

13. PROPOSED AMENDMENTS TO THE BUSINESS CONTINUITY PLAN

The report highlighted some minor revisions in the Business Continuity Plan following the severe weather experienced during February. Issues had arisen as to the decision making process for the closure of the College and the subsequent communication of this decision.

Members were pleased to note the College had remained open during the whole of the week and services had remained operational.

Members noted the amendments to the Business Continuity Plan.

14. RISK MANAGEMENT ISSUES ASSIGNED TO THE COMMITTEE

The Committee reviewed the risks assigned to it for monitoring for the year 2008/09. The Committee noted that a full review of the risk register was currently underway to incorporate some of the risks discussed during this meeting. Members noted that the risk relating to delivery of the Accommodation Strategy was currently monitored by Corporation and requested, given the responsibilities the Committee had in advising the Board on accommodation matters, this risk would be better monitored by the F&R Committee.

The report was noted.

15. CONFIDENTIALITY OF BUSINESS

The Committee determined the paper on the Accommodation Strategy Update remain confidential due to the commercial sensitivity of the information. The minute relating to the discussion was open for public scrutiny.

16. DATE OF NEXT MEETING

The date of the next scheduled meeting was noted as 9 July 2009. There were several items which had been identified for discussion at the meeting but due to the volume of items had been deferred. It was considered necessary to arrange an additional meeting after Easter and before the residential. It was agreed that the Clerk would circulate members for an appropriate date.

The Chair closed the meeting at 9.55 am.

SIGNED: _____

DATE: _____