

**Finance and General Purposes Committee**

**Minutes of the seventy-second meeting of the  
Finance and General Purposes Committee  
held on Tuesday, 18th November 2008 at 18.00hrs**

Members present: Mr P Hopkins (Chair)  
Ms J Dann  
Mr M Fairhurst

In attendance: Mrs B Billings (Clerk to the Corporation)  
Mr G Blagdon (Director of Finance and Corporate  
Services)  
Ms L Siddall (Deputy Principal)

**15-08/09 Apologies for Absence**

Apologies for absence were received from Dr S Claridge and Mr J McDougall.

**16-08/09 Minutes**

The minutes of the meeting held on 17 September 2008 were approved and signed as a correct record (FG(08)M3).

**17-08/09 Actions Taken or Outstanding**

The Committee noted a report on actions taken or outstanding since the last meeting (FG(08)23). With reference to minute 2-08/09 of FG(08)M3, the Clerk undertook to contact Mr Danny Burns to ascertain whether he was going to accept the invitation to join the Committee.

**Action: The Clerk**

**18-08/09 Monthly Management Reports – 1 August 2008 to 30 September 2008**

- (a) The Director of Finance introduced and the Committee noted the Monthly Management Reports from 1 August 2008 to 30 September 2008 (FG(08)24). During the ensuing discussion the following points were made:
- (i) The management accounts for the second period of the financial year showed an operating surplus for the month of £231k against a projected surplus of £132k, this was the result of a number of factors such as Train to Gain and tuition fee income exceeding budget and the 2008/09 staff pay award not yet having been implemented;
  - (ii) Other key ratios for the month comprised: current ratio 0.94%; borrowing as a percentage of income 36%; cash days in hand 55 and financial health category A;

- (iii) Based on the most recent three year financial forecasts submitted to the LSC, the LSC had confirmed that the underlying financial rating for the College was “outstanding”; and
- (iv) As requested by the Committee, the Director of Finance had tried, but failed, to amend the order of the columns within the document to “actual/budget/budget variance/prior year”, as the software appeared to be password protected. Members of the Committee suggested ways in which this problem might be overcome and the Director of Finance undertook to try again.

**Action: The Director of Finance**

(b) The Committee agreed the following:

- (i) The Director of Finance should ascertain why some of the figures within the document were not consistent across the various tables and, if possible, remedy the problem before submitting the document to the Corporation on 4 December 2008; and

**Action: The Director of Finance**

- (ii) Future versions of this document should contain page numbers; use more distinct colours to differentiate the lines in the rolling cash flow diagram and place this diagram nearer the beginning of the document;

**Action: The Director of Finance**

#### **19-08/09 Draft Report and Financial Statements for Year End 2007/08**

(a) The Director of Finance introduced and the Committee noted the Report and Financial Statements for the year end 2007/08 (FG(08)25). During the ensuing discussion the following points were made:

- (i) The Financial Statements showed a deficit on continuing operations, after depreciation of assets at valuation and tax, of £502k, however, this figure included £763k of expenditure relating to the proposed capital projects. If the expenditure on the capital projects was excluded the underlying position of the College with regard to its normal operations was a surplus of £261k;
- (ii) The Balance Sheet as at 31 July 2008 showed the College to have total fixed assets of £6,722k; reserves of £3,485k; creditors of £460k and a FRS 17 pension liability of £1,120k; and
- (iii) The Cash Flow Statement showed that capital expenditure and financial investment had been £207k. The amount of expenditure on students had increased some 100% when compared with 2006/07.

(b) The Committee agreed that the bullet point on page 2 of the document which referred to the maintenance of financial viability should detail what the actual results were, not just the targets.

**Action: The Director of Finance**

- (c) The Committee agreed to recommend, subject to the addition of the information referred in (b) above, the Report and Financial Statements for the year ended 31 July 2008 to the Corporation for approval.

**Action: Director of Finance**

**20-08/09 Key Findings Regarding the Audit of the Financial Statements for the Year Ended 31 July 2008**

- (a) The Director of Finance introduced and the Committee noted a report on the key findings regarding the audit of the Financial Statements for the Year Ended 31 July 2008 (FG(08)26). The Director of Finance took the Committee through the sections of the report under the headings of “Audit and accounting issues identified at planning stage”; “Audit and accounting issues identified during the audit”; “Internal control issues” and “Unadjusted/adjusted misstatements”. During the ensuing discussion the following points were made:
- (i) The audit had not identified any significant issues;
  - (ii) The discretionary learner support fund guidance had been updated for 2008/09 and the College would have to ensure that it complied with the new guidance;
  - (iii) With regard to bank statements from the Clydesdale Bank, the possible action section of the table on page eight should read “The College should request bank statements for all accounts and reconcile the balances **either weekly or quarterly**”; and
  - (iv) The audit recommended that the Corporation should, on an annual basis, formally review, with this review being minuted, the accounting policies of the College prior to the approval of the financial statements. The Committee agreed that it should review the accounting policies at its February/March meeting so that its recommendations could then be submitted to the March Corporation meeting for approval.

**Action: The Director of Finance  
The Clerk**

- (b) The Director of Finance introduced and the Committee noted the Letters of Representation regarding the Financial Audit and Regularity Audit (FG(08)27 & AU(08)28).
- (c) The Director of Finance introduced and the Committee noted a paper on the Learning and Skills Sector Emerging Issues (FG(08)29). With regard to the issue of academy sponsorship, it was suggested that some schools in the local area could benefit from sponsorship by the College. It was reported that the Principal had been discussing this type of activity.
- (d) The Committee recorded a vote of thanks to the Director of Finance and his team for all their hard work in relation to the preparation and audit of the Financial Statements.

## **21-08/09 Staff Pay and Conditions**

The Director of Finance gave an oral update on matters concerning the national pay recommendations 2008/09. It was reported that the national recommendation for both teaching and support staff had been 2.45%; that the Remuneration and Employment Policy had agreed to recommend that the national recommendations should be implemented and that as the costs involved did not exceed the provision in the budget for 2008/09, as approved by Corporation; the Corporation Chair should be asked to approve the implementation via Chair's Action. Chair's Action had subsequently been taken and the pay increase, backdated to 1 September 2008 would be in the November 2008 staff salaries.

## **22-08/09 Capital Projects**

- (a) The Director of Finance gave an oral update on matters concerning the College's capital projects. During the ensuing discussion the following points were made:
- (i) Following a presentation by the Principal to the LSC Regional Capital Committee on 4 November, the College's Application in Principle had been approved. The Principal was confident that when it now went to the National Committee it would be endorsed;
  - (ii) The deadline for contractors responding to the OJEU advertisement had now passed and the assessment panel had met. The aim had been to select five, plus a reserve, to invite to tender regarding construction of the Skills Centre. Credit checks would be undertaken and bank references taken up. The liquidity of the companies would be assessed and every effort made to obtain performance guarantees;
  - (iii) Planning permission had now been granted for both the Skills Centre and Campus redevelopment;
  - (iv) The Director of Finance had prepared formal tender documentation for submission to banks regarding the College's loan finance for the capital projects. He was planning to submit this documentation to three banks and initial discussions with one of them had been very positive in nature; and
  - (v) Unfortunately agreement to exchange on the land for the Skills Centre had still not been received from the LSC, concern was expressed that this could jeopardise the project.
- (b) The Director of Finance introduced and the Committee noted a version of the College budget 2008/09 which included Skills Centre costs and income to Application in Detail (AiD) submission (FG(08)31; tabled). During the ensuing discussion the following points were made:
- (i) The document showed the impact on cashflow of progressing the AiD for the Skills Centre. Peak borrowing, by means of an overdraft, would be in March 2009. The document did not include the land purchase; and

- (ii) The College would only progress the AiD if the LSC consent to acquire the land at Fulflood Road was obtained and the AiP received the approval of the LSC National Committee early in the New Year.
- (c) The Committee agreed the following:
- (i) To support the version of the College budget 2008/09 which included Skills Centre costs and income to Application in Detail (AiD) submission as tabled, subject to its implementation including key milestones/decision review points;
- Action: Director of Finance**
- (ii) That the document should be amended to more clearly show cashflows with and without the capital project costs; and
- Action: Director of Finance**
- (iii) That the document be submitted to the next meetings of the Capital Projects Steering Committee and the Corporation in December 2008.
- Action: Director of Finance**

**23-08/09 Pension Liability Actuarial Valuation**

With reference to minute 5-08/09 of FG(08)M3, the Committee noted the actuarial valuation of the College's liability in relation to the Local Government Pension Scheme (FG(08)30).

**24-08/09 Spring Training**

The Director of Finance gave an oral update on the activities of Spring Training. It was reported that Spring Training had relocated to Emsworth and that the Principal would give an update on its progress at a future meeting.

**Action: The Principal**

**25-08/09 Committee Priorities for the Forthcoming Year**

It was agreed that the Committee's priorities for the forthcoming year should be:

- Monitoring of the Application in Detail for the Skills Centre and subsequent purchase of land if the Application received LSC support
- Monitoring of the Application in Detail for the campus redevelopment
- Continued close monitoring of the monthly management reports and, in particular, of the College's staff costs
- Monitoring of recruitment for 2009/10.

**26-08/09 Date of Next Meeting**

Wednesday, 25 February 2009 at **18.30 hrs**

5(b)  
BB/BB  
G:F&GP/agend&mins/FG(08)M4