

**Meeting of the Finance and Resources Committee held on Wednesday 9 March 2011
at 5.15 pm in Room B109 at the Science Park Campus**

MINUTES

Present

Barry Popplewell, Chair
Christopher Spokes
Anne Constantine
Andrew Herbert
Nichola Harrison

In attendance

Chris Lang, VP Finance and Resources
Charlotte Skinner, Head of Finance

Clerk

Julia Kennedy

Preliminary			Action	By
1.	Declaration of Interest	Christopher Spokes declared his interest as a Partner of Bidwells who are acting as CDM for the College, and Nichola Harrison declared her interest as a Councillor in matters that that the County Council and City Council have an interest in.		
2.	Apologies for Absence	Alex Plant provided apologies for absence.		
3.	Minutes of the Meeting held on 15 November 2010	The Minutes of the Meeting held on 15 November 2010 were agreed to be a true record and signed by the Chair.		
4.	Matters arising from the Minutes	There were two matters arising from the Minutes— <ul style="list-style-type: none"> • <u>Page 3</u> College insurance levels 2010/11: a report was required. • <u>Page 5</u> VAT: a refund had been received from the contractor by cheque. 	CL/JK	

Section 1 – Review of Current Performance			Action	By
5.	F&R/6/10-11 Head of Finance Report on Current Financial Performance	<p>The report covered—</p> <ul style="list-style-type: none"> • Period 6 Management Accounts 2010/11 • ILR and Student Numbers • Procurement Report: 1 August 2010 to 31 January 2011 • Review of College Financial Risks (KCRs 4 & 6) includes Risk Appetite • Sub-Contractor Performance Report • HR KPIs • Amendment to College Financial Regulations and Financial Breaches and Waivers [if any] • Sports & Social Club and Student Union Accounts YE 31 July 2010 <p>The Period 6 Management Accounts showed a year to date actual surplus of £2.2m against a budgeted surplus of £1.8m. The College was confident that £550k of contingency would remain at year end and that funds would be available for redundancy payments. The forecasting was that the full-year budgeted surplus would be exceeded by approximately £500k. The full-year forecast for the 19+ Contract is now expected to be met. However there would be additional costs of £878k for sub-contractor provision.</p> <p>Governors' questions and comments covered—</p> <ul style="list-style-type: none"> • E2E funding • relationship of contingency to surplus • the allocation of contingency against budgets and whether there was another way of presenting the accounts that made performance against budget clearer [page 2 of the management accounts which shows variances against budget] • impact of the SLN on the budget and the use of both SLNs and financial figures as College Performance Measures [see page 1 of the Management Accounts]; Governors asked for the table to be formatted more clearly • cash at bank and whether there was still an overdraft facility at Lloyds and the cost of reactivating it • the number of FTE posts compared to the number of posts • reserves, and the policy on reserves. 	CL	As soon as practicable

		<p>Chris Lang clarified the reserves terminology—Deferred Capital Grant, Valuation Reserve, General Reserve, and Pension Reserve.</p> <p>On <u>Procurement</u>, Governors endorsed the College monitoring and review process that would come into effect when the Bribery Act 2010 comes into force, and thanked Noel Cassidy for his work. In relation to <u>Risk Appetite</u>, the Committee noted the need to settle the statement by July 2011. In the context of the <u>HR KPIs</u> Governors asked about sickness absence, and asked whether a replacement HR Manager was being sought.</p> <p>Two amendments were recommended to the <u>College Financial Regulations</u>:</p> <ul style="list-style-type: none"> • amendment to the Treasury Policy to reflect the authorisation required when placing cash on deposit: Governors recommended inclusion of a definition of “high security rating” and a limit on the amount that is with any individual institution • staff purchase scheme: an amendment to reduce the limit to £100 was recommended to take account of the fall in IT prices: Governors asked about the cost to the college, whether it was an appropriate use of college funds, and whether HMRC would view it as a “benefit in kind” for employees. <p><i>[The revised wording need not be circulated to Committee Members.]</i></p> <p><u>Student Union and Sports and Social Club Account.</u> Governors noted that, in both cases, accumulated funds were being carried forward and asked that officers should be encouraged to make good use of the funds, with a roll forward being granted only on request.</p> <p>The Committee received and noted the eight reports, deferred the matter of Risk Appetite to the next meeting, and approved the changes to the College Financial Regulations subject to the amendments noted above.</p> <p>The Committee noted that a draft revised presentation of the management accounts would be provided to the next meeting to show the proposed change to identify the full contingency throughout the year without allocating it against budgets. .</p>	<p>CL/CS</p> <p>CL/CS</p> <p>CL/CS</p>	<p>30 March 2011</p> <p>30 March 2011</p> <p>29 June 2011</p>
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Section 2 – Financial Planning			Action	By
6.	F&R/7/10-11 Director of Finance Report on Financial Planning	<p>The purpose of this item was to allow a follow-up discussion from the Special Meeting of the Corporation on 2 March 2011, to consider the matter deferred from that meeting – whether the proposed surplus/contingency for 2011/12 was at an appropriate level, and to discuss an additional compensation sum for those who accepted voluntary redundancy matter, which was delegated to Chair [in consultation with the Vice Chair and the Principal] by the Corporation.</p> <p>Governors extensive discussion covered—</p> <ul style="list-style-type: none"> • whether the Committee and the College had made sufficient provision when accepting funding in 2009/10 that was not likely to be consolidated into 2010/11 • the element of surprise in the funding challenges <ul style="list-style-type: none"> ○ under-performance on learner numbers had been on the risk register as high risk but the extent of the fall in 16-18 numbers, which had grown every year in the last 10 years, was not anticipated ○ the policy change on EMAs • the need for greater flexibility in times of volatility [the likely future scenario] and the challenge of flexing capacity without compromising quality • the possibility of staffing at a lower level on flexible contracts and increasing use of agency staff • the importance of identifying an organisational and financial model with the appropriate flexibility rather than refining the budget process • the importance of balance, and of not becoming over cautious, but of recognising the volatility and high risk in the environment • the impact on risk appetite and the appropriate level of contingency funding • the need for expedient savings in order to determine the 2011/12 budget, in a time frame that did not allow the new Principal to minimise the cost base through a fundamental review • the drawbacks of needing a “second bite” at reducing staff numbers and the potential impact on morale and the risk of losing the best people • the position on the probable/possible curve of the anticipated growth figure of £3.5m • the strategy of accepting unfunded students to receive the benefit in future years • the proposed savings model that provided a total of £4.4m in savings, with £2.4m in staff savings equivalent to 80 FTEs, that would deliver a budget 		

		<p>providing £1.5m contingency/surplus</p> <ul style="list-style-type: none"> • the statutory obligation not to set a deficit budget • the level of contingency in face of increased greater risk going forward • importance of not to compromise the ability to take on students or to compromise on quality: Governors noted that most group sizes could increase without compromising quality of provision • the need to maintain capacity: Governors noted that courses were not being cut and the aim was to preserve the capacity to provide a wider curriculum offer • the need to be open with stakeholders, and to understand and stay close to core operating principles • the relationship of surplus to turnover: currently 3.5% turnover and the intention was to maintain this level for next year: Governors noted the balance sheet was underwritten by £7m cash and net current assets. <p>The Committee approved the development of a budget for the 2011/12 year based on a combined surplus and contingency totalling £1.5m.</p> <p><u>Voluntary Redundancy Package</u> After further consideration, Anne proposed an additional cash payment of £1000 plus a training voucher for courses at CRC. This would provide the majority of staff approximately another 2 weeks salary. Staff would be expect to work their notice period. There were LGPS implications if staff over 55 were made redundant.</p> <p>The Committee approved a voluntary redundancy package to incorporate a cash payment of £1000 plus a voucher for training at CRC and noted that applications for voluntary redundancy would be considered against business needs.</p> <p><i>Andrew Herbert left the meeting towards the end of this agenda item at 7.12 am.</i></p>		
Section 3 – Committee Business			Action	By
7.	Self-assessment of Governance Performance	<p>In order to evaluate the meeting and identify any changes necessary to maintain the effectiveness of the Committee, the following questions were considered—</p> <ul style="list-style-type: none"> • Were the agenda and papers clearly presented? • Was there time for sufficient debate and critical review of each item? • Do Members consider they were able to fully participate? 		

		The Chair provided an entirely positive response, with which all Governors concurred.		
8.	Any Other Business	There was no other business.		
9.	Date of Next Meeting	The date was confirmed as 29 June 2011.		

The meeting ended at 7.20 pm.

Julia Kennedy
 Clerk to the Corporation

SignedChair

Date.....