

Minutes of the Finance, Estates & Marketing Governing Body Committee Meeting held on Thursday, 12 June, 2008 at 8.00 am



carmel
college

Present: Mr John Fogarty
Mr Gerry Hill (Vice Chair)
Mr Rod Hill (Chair)
Mr Rob Peacock (Principal)
Fr Felix Stephens

In attendance: Mrs Lenore Burgess (Finance Manager)
Mr Nick Burnham (Vice Principal)
Mrs Michelle Williams (Director of Resources)

Minuting and Acting Clerk Mrs Alison Fishwick

Please note LSC in these Minutes refers to **Learning & Skills Council**, AiP refers to **Application in Principle** and AiD to **Application in Detail**.

1. Declarations of Interest

None.

2. Apologies

Apologies for absence were received from Dr Christine Tyler and Mr John Perry (Clerk).

3. Minutes of the Meeting of 22 February, 2008

The Minutes of the meeting were agreed as a correct record and signed by the Chair.

4. Matters Arising

(a) Item 10 Delivering World Class Skills in a Demand Led System : New Funding Methodology

The Director of Resources gave a presentation relating to the changes in the new funding methodology. Governors noted that the reason for the change is to achieve simplification across the sector, reduce bureaucracy, be demand-led and achieve control over targets and funding priorities.

Key points noted by Governors:

- a. The mode of delivery for the 16-19 budget will be provision funded through strategic commissioning without in/end year reconciliation. This will mean that once a student has been on-course for six weeks there is no reduction in funds should that student withdraw. For the 19+ budget, provision will be funded through strategic commissioning with in-year reconciliation.
- b. The new funding formula is calculated by the Standard Learner Numbers x Funding Rate x Provider Factor plus Additional Learning Support. The Standard Learner Number is defined by 450 hours divided by the number of guided learning

hours. A majority of the students do 1.75 SLN which equates to 4.25 AS Levels plus entitlement. It was learned however that the SLN will be capped at 1.75.

- c. The National Funding Rate for 16-18 is £2,860 per head and for adults £2,775 per head. The allocated rate may differ from this but they are moving towards a national average.
- d. The Additional Learning Support allocation is not known at the present time and compared to last year the College is currently £214,414 down. This allocation relates to the funding of support for the Essential Skills students but the College is confident that sufficient funds will be allocated. Governors noted that 60% of Additional Learning Support is distributed using the formula based approach of the 16-18 model using GCSE Maths/English but 40% is from regional funds according to need and it was important that the College lobby for the right amount of allocation from this 40%.
- e. In respect of the financial forecast the total allocation is £7,630,645 instead of the £7,710,000 forecasted (£79,355 down at this point of time).
- f. The Principal added that there is no immediate financial downside with the new funding methodology; the strategic downside is that the new methodology does not allow for a step change, for example, in respect of offering Extended Projects. The 1.75 cap does not take into account the fact that Catholic colleges are also required to deliver General RE.
- g. The College will be audited to ensure that funds are used properly via Regularity audits, Learner Eligibility and Existence audits, Self-Assessment and through the Framework for Excellence scheme.

The College believed that the new funding methodology is fair and Governors felt that the methodology as presented by the Director of Resources seemed clear and logical. The Governing Body Committee will also be briefed on the new funding methodology. The presentation will be e-mailed to the Governors.

Governors noted the presentation.

5. Financial Update May 2008

The Director of Resources reported that the surplus at the end of May is £1,002K, a favourable variance of £371K over the anticipated position at this point of the year. It was noted that 'January' under **Summary** on the cover sheet should read 'May'.

The Director of Resources drew Governors' particular attention to:

- Page 2, the various income strands and that there are currently no areas of concern regarding income.
- Page 3, the payroll analysis which shows that the payroll has operated in line with budget for the year to date.
- Page 4, under Non-pay the £94K adverse variance in admin and central services budget is due in part to the re-charge mechanism in place for photocopying. The College is also looking at increasing the cost per copy.
- Page 4, under Non-pay the £83K premises favourable is in line and is a result of a prudent approach due to the new build. Some monies from Premises will be used for double-glazing in D Block which will help to reduce noise once the build commences.

- Page 4, under Exams, the net effect is now £7K adverse as opposed to £47K as resit fees have now been collected. It was noted that next year there will be two modules per subject as opposed to three.
- Page 5, under Capital Project spend £807,514 has been spent up to May. Claims to the LSC equated to £445,299 leaving a net cost of £366,212. Governors noted the LSCs intervention rate of 73.14%.

Governors noted that the College is in a sound financial position at this point in time. Governors noted and approved the contents of this report.

6. Financial Forecast and Commentary

Governors were reminded that the document had already been submitted as part of the capital submission to the LSC which was approved in May.

The Director of Resources drew Governors' attention to Points 1.1 to 1.6 in the Introduction. Under 1.6 Governors noted that the assumptions within the financial report approved in May have remained consistent with the approved forecast. However, there are some minor inconsistencies with the financial planning guidance issued at the end of May (advisory as opposed to specific instructions). The College has considered the guidance and remained consistent with the original forecast.

Under 3.3 of the report, Governors noted that the Pay Award is likely to increase to 2.5% and therefore the Likelihood has been changed from *Low* to *High* within the Sensitivity Analysis on Page 8.

Governors noted that the College now estimates the value of efficiency savings to be achieved using the Gershon review for the plan submitted.

Governors noted point 13.4 which summarises the financial health of the College over the next four years comparing the current financial health rating with the new Framework for Excellence finance scores. The financial health of the College is self-assessed at grade B and/or satisfactory over the next three years. Governors responded approval to this conclusion.

- i) Governors approved the Carmel College financial forecast for 2008-11.**
- ii) Governors approved the 2008-09 forecast as the operating budget for 2008-2009.**

The Director of Resources reported that it was hoped that information regarding the additional learning support funding will be available shortly; this funding could range from anything between £80K to £200K.

7. Procurement Report *Verbal Update*

The Director of Resources reported that the pilot undertaken for the implementation of the Procurement process had not been successful. The levels of control used were in question i.e. poor budget management, incorrect cards used, incorrect codes etc. It had been agreed therefore to identify another department(s) to use the procurement card arrangement. In addition to this the finance system is to be updated to provide electronic requisitions.

Governors asked that the matter be kept under review as they would like to encourage the use of this new system and it was questioned whether it was just a

simple case of additional training. One area identified to implement the scheme is the Library for high volume/low cost purchases.

The Chair requested an update on this item at an Autumn meeting of this Committee.

8. Transport Arrangements 2008-09: Warrington & Widnes

The Director of Resources tabled a summary of the arrangements in place for students at Carmel College. Governors noted in particular that from September 2008 a new pass system will be introduced for those students travelling from the Warrington area. This pass will be purchased from Warrington Borough Council and, in addition to its use on the buses on the Carmel route, will also be available for use on other services in the region.

Governors noted that for students travelling from the Widnes and Halton areas there are very limited public service routes for travel to Carmel. The College presently provides a private service for students but this is expensive. With this in mind the College would like to speak to Halton Borough Council to explore a possible scheme for the Widnes students, particularly as numbers from this area are on the increase.

Governors noted that the cost to the college is covered by the financial forecast. Financial support is available to students via the Education Maintenance Allowance and/or the Learner Support Fund should cost be a barrier to attendance at Carmel.

Governors noted and approved the contents of the report.

9. Issues Arising from the Accommodation Working Party

The Chair reported that a letter giving formal approval to the capital project has now been received from the LSC. Governors were disappointed with the response to Phase 2 of the Project, particularly as it was submitted on the advice of the Regional Property Adviser. The Principal explained that the letter provides a clear indication that the LSC expects the College to move forward with Phase 2 and discussions about this have taken place with the Property Managers. However, Phase 2 cannot begin until Phase 1 has been completed and this will be 18 months hence. The LSC will not wish to see an Application in Principal before next summer and the Application in Detail six months after. Governors were disappointed that in eighteen months time there may be more financial restraints. The Principal responded that the College has been reassured that the monies for the build will still be available. Early discussions with the LSC are vital.

Governors also noted that start of the haul road is expected week commencing 30 June and that the College now has formal possession of St. Monica's (the temporary classroom accommodation).

Governors noted the Principal's verbal report.

10. Accident Report

There were no particular trends to note.

Governors noted the report.

11. **Staffing Update** *Tabled*

The Vice Principal reported that the College were pleased with recruitment and staff turnover has been low. All long term absences have been resolved.

Governors noted the Staffing Update.

12. **Any Other Business**

(a) Loan Considerations

The Director of Resources gave a presentation reiterating the loan negotiations which have taken place, the preferred loan provider approved (Barclays Bank PLC) and the capital project approved. Governors were now required to approve the facility letter and consider and approve the interest rate strategy.

The presentation outlined the two elements of the loan structure under review i.e. the Development Loan and the Term Loan and the choice of Base Rates; LIBOR or the Bank of England rate for the former and LIBOR for the latter. Governors were asked to consider the interest rate strategy for both elements of the loan whether Fixed, Variable, Mixed or a Period of each. The advantages and disadvantages of the different interest rate options were noted, in particular that a fixed rate can be put in place at any time to commence in the future. The views of the College Management Team were that the term loan should be kept simple and preferably at a fixed rate to ensure future robust financial planning and that in respect of the development loan the College should take advantage of excellent deal for rate options but do not fix it yet. The College Management Team also recommended that the specified staff authorised to carry out the execution of the finance documents should be the Principal and the Director of Resources.

Governors were asked to consider the loan options taking into account that the option chosen will affect the operation of the college for the next twenty five years. **Governors agreed to meet again prior to the Full Governing Body Meeting on the 24th June at 6.00 pm to decide upon their recommendation.**

It was agreed to circulate copies of the presentation to Governors on the Committee.

A Governor suggested that a Letter of Principle be agreed as a standard to inform the decision-making for future Governors intimating that the underlying principles for similar financial decisions should be to keep things simple and consider the long-term goal rather than short-term gain.

(b) Planned Meetings of Committee

Governors were concerned that there was a long break between November 2008 and March 2009 before this Committee would meet and suggested that in view of the new build and the rapidly changing circumstances another meeting should be added during this period. It was also suggested that the Accommodation Working Party should be subsumed into the Finance, Estates & Marketing Governing Body Committee; the latter following the former.

The Principal was asked to speak to the Clerk to consider an additional meeting and for Governors to discuss the suggestion to follow the Accommodation Working Party with this Committee at the Full Governing Body Meeting. The focus for the Working Party should be the build project and the focus for the

Finance, Estates & Marketing Committee should be the financial aspects of the project.

13. Date of Next Meeting

Friday, 26 September, 2008

Signed on this day:

By the Chair: