

**Minutes of the Finance, Estates & Marketing
Governing Body Committee Meeting
held on Friday, 22 February, 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)

Clerk Mr John Perry
Minuting Clerk Mrs Alison Fishwick

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

1. Declarations of Interest

None.

2. Apologies

Apologies for absence were received from Dr Christine Tyler.

3. Minutes of the Meeting of 16 November, 2007

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

4. Matters Arising

Agenda Item 4.4.4 – The Music Block

The Principal reported that engineers have been in to adjust the heating in the practice rooms. The College is now waiting for a period of time before checking the effectiveness of this adjustment. Once this had been carried out and the results are satisfactory then the College can finally draw this matter to a close.

Governors learned that in the end the Architects paid just over half of the costs at £9K and Carmel College paid just under this figure. The retention fees of £20K had also been paid.

5. Procurement Policy

The Director of Resources explained the concept behind the implementation of the Government Procurement Card which Carmel will operate as a pilot scheme for six months. Governors noted the advantages and disadvantages of its usage as detailed in the Report.

Governors noted that as it is a new scheme it will entail a planned timed introduction with considerable training. In order to gain a fair indication of how the system will operate; twelve departments initially will be involved in the pilot comprising of a mix of ability in terms of IT expertise.

Governors enquired whether there were any restrictions with the Government Procurement Card and how would this be managed. The Director of Resources explained that a list of suppliers will be produced known as 'Merchant Codes' and purchases will be declined if a Budget Holder places an order from an organisation not on that list. This will provide one method of system control.

To allay the concerns of Governors, the Director of Resources explained that it is and always has been the Budget Holder's responsibility to manage their budgets. The Principal added that he is convinced that there are sufficient controls in place to effectively manage the new scheme.

Governors enquired about the occurrence of multiple purchases made from across all budget areas and whether this system allows for cost savings for bulk purchases. The Finance Manager responded that Budget Holders are encouraged to use the purchasing consortium for bulk purchasing, however, approximately 40% of a curriculum budget is spent on photocopying, 50% on classroom materials and the remaining 10% on stationery, therefore incidences such as that would be minimal. Governors noted that the overall curriculum budget equates to £170k of the College budget and at least half of this is spent of photocopying, therefore the risk impact would be low.

Governors noted that Budget Holders are allowed to spend up to £500 on any one purchase but this does not include IT hardware/software which is processed via the College's IT Services.

Governors gave their support for the pilot scheme although there were some reservations about loss of cards. Some Governors were disappointed that staff were not trusted with more money preferring staff had a larger share of accountability. The Chair requested that sometime within six months of the start of the scheme a report should come back to the Committee on the scheme's progress and any difficulties encountered.

Governors noted and approved the contents of the report.

6. The Financial Implications of the Accommodation Strategy

Phase 1:

The Director of Resources reported that tender documentation had gone out to the six shortlisted contractors and tender submissions were returned on 8 February. Only two bids were received by the submission date and these were Shepherd and Keir NW. Since then a detailed analysis of each of the two tenders has been carried out by Davis Langdon, Quantity Surveyors. The final cost has been reached by taking a mix of the cost variations from both contractors. This will be the maximum cost that the contract will be placed at and the maximum price which both the Quantity Surveyors and the Project

Managers would expect the College to pay. The total maximum expenditure on the capital project was noted by Governors as £24,479,000.

Governors noted that the College would now be seeking 74% contribution from the LSC, although the contract stills falls within the LSC's rate per square metre for the build. Representatives from Carmel will be meeting with the LSC on Monday, 25 February, 2008 to ask for an increase in their contribution. The Director of Resources explained that the figures from this analysis were only received on the 19th February which is why Governors have only learned of this development at the meeting today.

Governors noted that the new building costs equate to £19,340,000 and that the Quantity Surveyors have indicated that the programme should be value-engineered to this price. The Chair reminded the Committee that Governors would not wish any value-engineering to compromise quality. The Director of Resources responded that the Quantity Surveyors have said that the issue of quality has been made very clear to contractors in respect of building supplies and materials.

Another matter for discussion with the LSC on the 25 February, relates to the LSC's cost model which operates on a two year basis; whereas this is a three year project which makes it difficult to set a cost for a third year.

The Chair commented that from the Finance Committee's point of view, the scheme is still affordable and an appropriate loan arrangement has been proposed. It will be the other elements of the Capital Project which will need to be discussed at the Accommodation Working Party, for example, quality issues and contractual negotiations.

The Chair asked the Principal whether the College was happy that we are receiving the right expertise in ensuring that contracts will give the College the best deal. The Principal responded that he has been extremely impressed with Davis Langdon the Quantity Surveyors who have a very sound grasp of the scheme and what the LSC will or will not accept. The Project Managers, AA Projects, also have experience with negotiating with contractors.

The Director of Resources then took Governors through ***Item 8 Sensitivity Analysis of the Financial Plan in detail submission on Page 6.***

Governors noted the Balance sheet (Appendix A) detailing the short term investments and cash income. The Balance Sheet shows a negative operating surplus as a percentage of income by 2009 but then the College recovers in 2013.

Governors noted and were reminded that the Governing Body and the College Management constantly monitor the financial health of the College and any threats that may adversely affect the delivery of education. The processes in place to manage this include the College's Risk Management process, the Risk Register for the build project and the provision of regular financial reports. All of which can only be cost analysed once a particular risk has occurred. The sensitivity analysis looks at the best way in which the College could address all possible risks.

Governors considered and noted the risks as outlined in the Sensitivity Analysis.

Governors noted that on Page 6 Note 7.3 the words “In 2000-2010” should read “In 2009-2010”.

The Chair summarised the situation by confirming that the Committee had received the detailed financial plan and had reviewed the figures therein whilst focusing on the College requirements. Governors have noted the College’s contribution from Reserves, the liability of borrowing for the balance of the contribution, the financial risks and have reviewed the ‘fall-back’ position. The Chair felt that the Committee were confident that the College has a way forward with a financial plan in place to address any shortfalls. The Chair was also confident that the College was in a good position, supported by robust documentation within a very good reporting structure which keeps Governors fully up-to-date.

In respect of interviews with prospective contractors, the Chair asked that all members of the Accommodation Working Party have the opportunity to participate should they wish. *The Clerk will circulate an invite via e-mail once exact dates for the interviews are known.*

Governors referred to the *Sensitivity Analysis* and suggested that for the future it may be useful if the College could produce a list of risks showing the level of impact on the College; this may enable the College to consider remedial actions which would create the least impact to address any worst cases scenarios. At this point Governors referred to the impact of the Olympics project and the Liverpool City of Culture which are already having an effect on building costs and supplies.

The Chair asked whether the College was satisfied with the levels of staffing to support the Project. The Principal responded that he was concerned about the pressure on the Director of Resources and the team; however, the appointment of a Project Sponsor has proved very effective. The Chair added that if the College felt that they needed additional support then the Governors would be very supportive.

The Chair thanked the Director of Resources and her team for all their hard work to-date.

Phase 2:

Governors were referred to the *Capital programme Phase 2 Application in Principle* submission. College Management reminded Governors that it was the LSC that had driven the College to submit an AiP for Phase 2 along with Phase 1.

The total costs for Phase 2 were noted as £8,926,860 over the LSC model. The only reason the projects have been split into two projects is because they fall beyond the three year timeline. It was noted that Phase 2 has not yet been value-engineered. From Carmel’s point of view the College is unable to fund any more and the College would therefore be asking the LSC to fund Phase 2 of the project in total.

Governors noted that if the two projects were combined it would give a total project value of £33,406,179m and the LSC would be asked to contribute 80.9%. This would improve the financial position of the college due to the more positive profile of the LSC financial support. The cash profile would be over three years commencing at the start date of Phase 1 thereby enabling larger percentages of expenditure to be reclaimed earlier in the project cycle. This would reduce the amount of short term cash required, reduce the value of interest to be paid and improve the financial health of the college.

Governors referred to VAT on Phase 1 and whether it can be clawed back with Phase 2. The Director of Resources responded that full VAT is on the project and the likelihood is the College will not need to pay VAT; the LSC will ask Carmel to look at this.

Governors noted that Phase 2 will be submitted with Phase 1 to be seen as a whole design package. It is hoped that a final decision will be reached for both phases by 29 April, 2008.

Governors noted and approved the AiP in their two respective parts and noted that the College will be at a financial risk of £408K should further work be required by the LSC to application in-detail. The Chair added that any revenue implications will be brought to the Finance, Estates & Marketing Committee.

Governors noted and approved the contents of the report.

7. The Appointment of the Loan Provider

The Director of Resources explained the process which has taken place in order to secure the offer of loan finance to support the implementation of the proposed new build development.

Governors noted that following the presentation stage of the negotiation the two remaining banks (Barclays and Lloyds TSB) were asked to consider further reductions in rates or fees proposed on their offers. After the 24 hour response period both Banks had improved their offer but Barclays had reduced their rate by 0.1% and reduced their arrangement fee via access to an EU grant which the Bank themselves would arrange. The panel agreed that as Barclays offered the most cost effective package the Panel would be recommending them as the loan provider for the College.

Governors noted that the loan would be to the maximum figure of £6.5m.

The Governing Body representative who attended the interviews reported that Barclays clearly had the better offer, however there are still decisions to be taken on a Treasury Management basis as to how much to draw down and when or whether to use LABOR or the Base Rate. Barclays had answered the questions satisfactorily in terms of the support they will provide. The Governing representative also added that Finanalysis, Carmel and the Finance Manager in particular, had gone into great detail and as a consequence had shown a greater assurance that the College can manage this process.

Governors approved the appointment of Barclays and noted the maximum amount to draw down as £6.5m.

8. Financial Update January 2008

The Director of Resources reported that the surplus at the end of January is £533k, a favourable variance of £219k over the anticipated position at this point in the year. The Director of Resources took the Governors through key points of the report. Particular reference was made to the high percentage retention (97% for the 1,487 LSC funded students).

Governors noted the sound financial health of the college and approved the contents of the report.

9. Accident Report

Governors noted the contents of the Report.

10. Staff Absence Report

College Management commented that they were very pleased with the low levels of absence. **The Committee noted the Report.**

Governors noted the contents of the report.

11. Any Other Business None

12. Date of Next Meeting **13th. June 2008.**

The Chair took the opportunity at the end of the meeting to thank all those Governors who have been participating in College activities outside the remit of the Committee.