

Minutes of the Finance, Estates & Marketing Committee Meeting on Wednesday, 11 November, 2009 at 8.00 am

Present: Mr Gerry Hill (Vice Chair)
Mr Rod Hill (Chair)
Mr Rob Peacock (Principal)
Fr Felix Stephens
Dr Christine Tyler

In attendance: Mrs Michelle Williams (Director of Resources)
Mr Nick Burnham (Vice Principal)
Mrs Lenore Burgess (Finance Manager)
Mr Mike Moran (Estates Manager) for Agenda Item 9
Dr Mike Benson (External Auditor, Murray Smith) Agenda Item 5

Clerk Mr John Perry
Minuting Clerk Mrs Alison Fishwick

The Chair welcomed Dr Mike Benson, Finance Auditor from Murray Smith to the meeting

1. Declarations of Interest

None.

2. Apologies

Apologies were received from Mr John Fogarty.

3. Minutes of the meeting of Thursday, 11 June

The Minutes were agreed as a correct record and signed accordingly subject to the following amendments:

Mr Mike Nencini's name to be removed from the list of those present; as he did not attend the meeting held prior to the Accommodation Working Party.

Agenda Item 5 Financial Update 2008-09 Year End Account

5.2 Non cash operating charges - Sentence should read "... until after July ..." not "...until July ...".

5.8 Non pay - the word "Phase 1" should read "Phase 2".

4. Matters Arising

Agenda Item 4 from AI 8 - The Financial Regulations (Page 2) - The Director of Resources confirmed that training on The Financial Regulations had taken place.

Agenda Item 5 Financial Update 2008-09 Year End Account - 5.6 Catering Review - The Director of Resources reported that it had been decided to engage the services of the original consultant, Just Cope, to review the catering services as their fees were the most cost effective. The consultant, in

addition to reviewing the current service and budget status, will also assist the College with the process of tendering for a new catering contract. Governor support will be required in this tender process.

Governors enquired about the campaign led by the Student Council to challenge the prices in the Refectory. The Director of Resources explained that initially there was some confusion over prices as the catering company, without any consultation, had twice raised prices in the Refectory. Prices have now returned to their original level. Students did have one or two other concerns and this, along with perhaps some unrealistic expectations, had led to a frustrating situation between the students and the Refectory. The catering company have responded well to the students; they have attended Student Council meetings and a Fair Trade and Healthy Eating presentation, the latter of which the catering company are considering in a positive light. The Student Council will also be represented on the panel to appoint the new catering company.

Governors suggested that the Committee met again prior to the appointment arrangements of new caterers to clarify the profit sharing arrangements to be agreed.

Agenda Item 8 - Student Recruitment 2009 - The Director of Resources reported that this will be highlighted under *Agenda Item 4 Financial Update October 2009* later in the meeting.

Agenda Item 9 - Staff Salary Settlements 2009 - Governors noted that in respect of salary settlements for Teaching Staff two unions have ratified the agreement and one is extending the consultation process. The signs are that the settlement will go through at 1.5% rising to 2.3% - keeping total costs to 1.83%. In respect of the settlement for Support Staff this is at 1.8%. The Director of Resources confirmed that the College budget has accommodated this salary settlement with an estimate of 2%, settled in two parts as described for teachers.

5. Financial Update October 2009

The Director of Resources took Governors through the report highlighting key elements, viz.:

5.1 Capital Project Summary - Governors noted that, as at 31st October, capital spend equated to £17,778,317, there is £4,421,684 in the capital budget left to spend. The LSC debtor of £2,324,560 will not be paid until April 2010 and following enquiries with the LSC it is clear that there will be no accelerated payments. The Director of Resources reported that when the bid was originally submitted, the issue over the income profile was raised with the LSC but it was clear that the onus was on the College to manage the cash-flow, indeed from next week the College will be carrying out weekly cash flow monitoring. The College will also be extending the £5m draw-down loan to £6.5m which will increase interest charges and actual interest incurred is at base rate plus 0.02%. Governors noted that the LSC are acting within the agreement and the College has budgeted for interest repayments at 6%. Any identified savings from this have been

moved into the Contingency Fund. It was confirmed that the College can continue to pay contractors under the 28 day agreement.

5.2 **Balance Sheet** - current debtor balance of £2,341K as detailed is mainly LSC debts.

5.3 **Cash Flow** - Noted that in the second paragraph the “variance of 22%” should read -22%.

5.4 **Activity Report** - The College is 31 students over funding target. The College is also over in Student Learner Numbers (SLN), therefore the College needs to monitor the SLN to Learner ratio which is currently at 1.55 and ensure that this is maintained. Governors noted that the College will be expected to pay the shortfall on adults (19+). The College was initially concerned about the adult allocation; the full income/expenditure budget for the adult allocation was planned as £47,362. However, the College should be able to release £27k back into the expenditure budget.

5.5 The Finance Auditor referred to the College’s cash flow situation and the critical point identified at the end of March and that, although the College will have £68k as a result of a £6.5 million draw down any adverse to that will result in either delayed payments or a temporary overdraft facility, and asked whether the LSC have actually guaranteed payment in April. The Director of Resources responded that they had but agreed that it may be prudent to request a letter of confirmation from the LSC, particularly in view of Machinery of Government changes. **Governors approved this proposal.**

Governors noted that the College is currently in sound financial health.

Governors approved the contents of the report.

6. Management Letter Arising from the Audit of the Financial Statement for the Year Ended 31st July 2009

The Finance Auditor presented his Management Letter to Governors.

6.1 Governors’ attention was drawn to Page 21 (Income and Expenditure Account) and the £500k increase in *Total income* which has increased year on year. However, staffing costs are running at 71% whereas it had been decreasing in previous years. The Auditor commented that there has been a good control of staff costs however it will be very important in future years to maintain this control.

6.2 The surplus on continuing operations of £283k (2009) and £258k (2008) is before the loss on disposal of assets which appears to be negative. Governors noted that the wording under Summary on the cover page of the report should reflect the wording on Page 21 i.e. “The deficit of continuing operations is £93k” and not the term “... operating surplus ...”.

6.3 The Finance Auditor commented that the College needed to think about the future in view of the funding uncertainties and felt there was a case to build up more of a Reserve than perhaps the LSC would think necessary.

There was, he felt, a need to ensure the College had sufficient funds to survive, for example, a complete change in funding arrangements or in response to capital funding issues. The Principal responded that the Corporate Management Team have arranged an Away Day in December to consider this very point and it is intended to analyse a number of different scenarios. Governors were concerned that with a change of government there may be significant reductions in revenue taken from a number of 'pots' and therefore the College's staffing budget will need careful monitoring in the future. The Chair commented that the College and Governors are making very strong plans for the completion of Phase 2 and members were aware of the immense pressures on finances and were keen that the College considered ways of building up reserves. For example, if the College had to suddenly save 10%, how could this be achieved? The Chair confirmed that the Corporate Management Team had been tasked to build up reserves for any possible future shortfall. The Finance Auditor commented that a 10% cut would take the College back to two to three years ago and the College was able to cope then, although it was acknowledged that the national picture is much less stable now. The Principal explained that the achievement of the vision for the final stage of the property strategy will be reached via a staged approach as and when resources become available. In respect of future funding there has been talk of reducing the number of courses students are funded for; this will cause much concern for the future.

6.4 It was felt that Carmel was in a strong position in respect of 'commissioning' the concern was about any change in priorities of how funding channelled through the Local Authority will be spent.

6.5 The Finance Auditor referred to Page 23 (Balance Sheet) and explained that the higher net figure does not tell the full story. The Net Current (liabilities)/assets of (2,479) show where the building will go into the tangible assets. Because of the rolling loan the liability is shown as *current liability* but when the build is complete this will be shown as *longer term liability*, this then will no longer be included in the net current assets. Therefore this makes the balance sheet look better. In summary the Balance Sheet is simply a 'snapshot'. Governors suggested that a comment explaining this is placed on the Balance Sheet to show that the College is part-way in acquiring the asset. The Director of Resources responded that this is referred to on Page 3 of the Report. The Finance Auditor suggested that a note could be added to *Note 14* of the Balance Sheet to explain that it would be converted into "long term liability". Governors also felt that this statement would be useful when viewed and judged by the Local Authority. The Director of Resources explained that when the Financial Statements are approved all organisations complete the same finance proforma with the financial data with which the College will be judged on.

6.6. The Finance Auditor presented the *Management Letter Arising from the Audit of the Financial Statements and Regularity for the Year Ended 31 July 2009* which, he reported, was similar to last year with one change and that was the additional paragraph which states "We are pleased to note

that the internal auditors assessed the level of assurance provided by all the systems and they tested as “good” (the highest level).

6.7 Governors noted that the Management Letter is signed once it has been given full Governing Board approval. The Chair thanked Dr Benson for his attendance and stated that the suggestions made and issues raised have been noted and will be brought to the attention of the Full Governing Body via the Minutes.

6.8 Governors highlighted the final paragraph of the Management Letter which refers to the help and courtesy shown by College management and staff during the audit process and in particular that the Finance Staff were well prepared for the audit visit and continue to operate as a highly professional and effective unit. The Director of Resources wished to thank Mrs Lenore Burgess, Office Finance Manager, and her team for the work undertaken. Governors felt that the final paragraph was praise well-deserved. Governors also felt that the Finance Auditor’s comments were reassuring as they confirm what the College is aiming for.

Governors noted the Management Letter and recommend the approval of the financial statements for the year ended 31 July 2009 to the Full Governing Body.

7. Financial Issues Arising from the New Build

The Principal reported that the current build is progressing within the £22m budget approved.

7.1 In respect of Phase 2, AA Projects have submitted a costed proposal for the property strategy of £29k and have offered to attend the Full Governing Body meeting in December to present the content of the proposal. The Principal asked whether Governors wished to go out to the market place.

7.2 Governors queried the content of the proposal and the cost. The Principal explained that it included a re-write of the property strategy in the light of funding issues, planned surveys and planned maintenance surveys. It will also detail how the property strategy can be accomplished in stages whilst ensuring the College remains compliant. In essence it will be about the practicalities and how Phase 2 can be progressed in a phased manner. The Principal felt that the £29k cost was valid although was happy to speak to AA Projects to see whether costs could be reduced. The Chair felt that the College should test the market.

7.3 Governors felt that the strategy for Phase 2 should go out to tender as, although Governors were clear about the ‘vision’, it was not clear how the College would achieve it. It was also felt that the full Governing Body needed to understand the whole picture in that it may be necessary to reduce costs College-wide in order to take Phase 2 forward.

7.4 The Chair requested a brief paper for the Full Governing Body providing:

- Progress on Phase 1
- Current financial situation

- Progress on Phase 2
- Recommendation to Governors to go to tender

8. The Financial Memorandum 2009-10

Governors noted the contents of the report which is the agreement between the Learning and Skills Council (the Council) and Carmel College (the College) regarding the amount of funding to be paid by the Council to the College for the period 1 August 2009 to 31 July 2010. It details the terms and conditions entered into by Carmel in order to secure funding for delivery of education by the College.

Governors noted the Financial Memorandum.

9. The Financial Regulations 2009-10

Governors noted that a copy of the Financial Regulations will be sent electronically to Governors, that they will also be available on the College's intranet site (Connect) and the College's Website alongside the Financial Statements once all documents have been approved by the Governing Body.

Governors approved the Financial regulations for 2009-2010.

10. Health & Safety Annual Report

The Estates Manager took Governors through the summary of College activity relating to Health and Safety for the Academic Year 2008-09 highlighting key areas to note.

The LSC have recently assessed the College as 'good', last year the College was 'satisfactory'. The LSC will re-assess the College again.

In respect of the Safe Learner, Governors noted that, as the ISA are currently coming into existence, the College will be reviewing Safeguarding matters more closely and will be presented to the Governing Body next March. The Principal added that the Corporate Management Team had previously considered the Health & Safety Annual Report and agreed to add that "*The College is fully compliant on CRB and there are plans to implement a Safeguarding Audit*". The Report will therefore be amended accordingly. The Principal suggested that Governors should, for information, have an update on Safeguarding matters at the December Governing Body meeting with a more detailed report at their March meeting.

Governors enquired whether a Governor should have safeguarding responsibility (one Governor present was prepared to take on this role). It was agreed to place this on the Agenda for the December meeting.

The Clerk was asked to provide appropriate reading material for the Governing Body on Safeguarding.

Governors suggested that a Prize be presented for the student who thinks of a good Health & Safety idea.

The Chair thanked the Estates Manager for his report. The Principal also added his thanks, particularly for the thoughtful and methodical approach taken to College Health & Safety.

Governors noted and approved the contents of the report.

11. Accident Report

Governors noted the Accident Statistics for the Academic Year 2008/09. The Estates Manager reported that it included the same number of injuries as last year although the ratio of accidents of staff to students is now a more relative proportion.

Governors noted the contents of the report.

12. Any Other Business

None.

13. Date of Next Meeting

Tuesday, 5 March, 2010

The meeting ended at 9.50 am.

Signed on this day:

By the Chair: