

Minutes of the Finance, Estates & Marketing Committee Meeting held on Wednesday, 23rd September, 2009

Present: Mr John Fogarty
Mr Gerry Hill (Vice Chair)
Mr Rod Hill (Chair)
Mr Matthew Montgomery
Mr Mike Nencini
Mr Rob Peacock (Principal)
Fr Felix Stephens
Dr Christine Tyler

In attendance: Mrs Michelle Williams (Director of Resources)
Mrs Lenore Burgess (Finance Manager)

Clerk Mr John Perry
Minuting Clerk Mrs Alison Fishwick

The Chair welcomed Mr Matthew Montgomery, Student Governor, to the meeting.

1. **Declarations of Interest**

As an employee of St Helens Local Authority and a member of the group leading on the financial aspect of the Machinery of Government changes in Merseyside, Mr John Fogarty declared an interest in Agenda Item 7.

2. **Apologies**

None.

3. **Minutes of the meeting of Thursday, 11 June**

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

4. **Matters Arising**

Agenda Item 4 Matters Arising (A18) – The Financial Regulations (Page 2) – The Director of Resources confirmed that training for staff on *The Financial Regulations* will take place week commencing 19th October.

Agenda Item 5 Financial Update May 2009 – 5.8 Financial Contingencies Report. Governors noted that the College is planning to meet with other Colleges to carry out a benchmarking exercise in respect of payroll costs.

Agenda Item 6 – Financial Forecast and Commentary – 6.3 Pay expenditure changes anticipated – There is no current settlement to report to Governors.

Agenda Item 9 – Transport Arrangements 2009-10 – Governors queried whether there had been any difficulties with students being required to pay up front for the transport service. The Director of Resources reported that a

profile payment plan has been devised for 26 students experiencing financial difficulties.

Agenda Item 10 – Discretionary Support Fund Guidance 2009-10 –

Governors noted that the guidance document had been revised as requested.

5. Financial Update 2008-09 Year End Account

The Director of Resources took Governors through the key elements of the *Year End Account*:

5.1 **Income and Expenditure Account** showing the end year position of £431k against historical position of £351k.

5.2 **Non cash operating charges** showing the variance of £82k against a plan of £541k as a result of no depreciation charge, or release of capital grant, being made to the income and expenditure account as the College did not take possession of the new building until July at which time the revenue transfers commenced.

5.3 **Disposal of assets** showing the loss on disposal of Block A (Science building) of £376k. This is recorded in the surplus/loss on continuing operations of the College. The revaluation of this (a loss of £296k) will be released from the revaluation reserve to the revenue account and as it is 'held below the line' it does not affect the operating status.

5.4 **Pension cost charges.** The Director of Resources reported that the pension valuation has now been received from the actuary (this was not available at the time accounts were prepared). The pension valuation, which has decreased, gives an overall deficit of £2061k (previously £2114k).

5.5 **Income Analysis of Key Variances.** Governors noted.

5.6 **Catering Summary.** Governors noted that Taylor Shaw did not achieve the planned operating surplus for the year. The College is however guaranteed a return of £20,903 for 2008/09; after the College pays VAT of £18,857 however this will create a positive variance for the year of £1,042. The Director of Resources has asked for an external company to analyse the contract. In the meantime, Governors learned that the current Student Council are in the process of preparing a report on pricing in the Refectory as there has been some concern over significant increases. **After further discussion the Chair requested that a thorough review of the catering service be undertaken for presenting at a future meeting of this Committee which details the quality, range of food, level of service and prices.** The Chair added that any increases should first be negotiated with the College. The Director of Resources suggested inviting a different consultant to go through the process of analysis again in order to provide an alternative view of the area.

5.7 **Staffing.** Governors noted that the College has been able to reduce the payroll budget by £50k and these savings have been distributed to other

areas of the College. Although the percentage of pay to income had dropped a little, the Director of Resources wished Governors to be aware that this is because income has gone up. The target this year will be 77%. However, it was still the intention of the College to benchmark with other Colleges. Governors added that it is also about maintaining the excellent provision of the College and this aspect should be brought into the equation when considering the ratio of pay to income.

5.8 Non-pay. Governors noted the £77k spend on costs incurred for Phase 2 of the building programme and Governors were reminded that as the College did not achieve Application in Principle for Phase 1 the College did not receive any further financial support. These costs were held as *Work in Progress* on the balance sheet. Governors wished to congratulate the management team for achieving such a small reasonable loss.

5.9 Admin and Central Services. Governors noted the £84k variance which relates to the reprographics function and includes paper costs, machine rental and licences. Governors discussed generally ways in which to reduce future costs, it may be necessary to review the whole procurement strategy of the College, for example, financial benefits can be achieved by changing photocopying companies on a regular basis. Multi-functional equipment which allows you to photocopy, scan and print can also help reduce costs. Governors enquired about departmental budget management and how it is monitored. The Principal responded that Heads of Department and Budget Holders are expected to manage their own budget efficiently bearing in mind any restraints imposed. Budgets have not been increased this year.

5.10 Premises Governors noted the significant increase in electricity costs and suggested approaching IFM who have recently carried out an energy analysis for the Archdiocese. The Director of Resources responded that the College does change utility contracts every year to keep costs low and that the College pays 5% VAT on fuel. At this point Governors were informed that YPO are moving into the Post 16 / FE Sector and it may be worth the College benchmarking against this organisation.

5.11 Management Accounts by Operating Area Governors noted the Cost of Capital variance and the £77K adverse capital cost which has been met by the Management budget. General Funds are £47k favourable.

5.12 Transport Governors noted that the College has generated a saving of £16k which has been invested into the Widnes coach hire scheme. The cost to the College for the Widnes contract is £20K this year. At this point the Chair queried whether College staff used college transport. The Director of Resources referred to the College's Green Travel Plan.

5.13 Capital Project Summary Governors noted the summary of project costs to the end of July. There is currently £4.2 m left to spend on the final phase. The contingency fund has decreased to £47k. The FF & E of £325k had not been capitalised at the time of preparing the report, invoices have since been processed. Total spend at 31 July 2009 is

£16,390,059. Governors also noted the debtor of £2,014 from LSC receipt – claims have been submitted but the College will not receive any more funding now until next April. The College is currently paying interest on the overdraft.

5.14 Activity Report Governors noted that the LSC funding report indicated that the College has generated £8,006k representing an over achievement of £93k (base LSC income target for the year is £7,912k).

Governors noted that the College is in sound financial health at the end of the year.

The Chair, in summarising the Director of Resource's report, referred to the previous year's economic and political situation and how the experiences of this also apply to this year. There was he felt a need to look at the accounts 'in the round' and that despite external influences the College has performed exceedingly well in difficult circumstances and wished to acknowledge the work of the team in managing the resources so successfully. The Chair also referred to the financial implications of future build and how reductions in budgets may also be necessary to meet the capital expenditure of Phase 2. Urgent consideration needs to be given as to where these savings can be made. Governors were very much in support of this, initially it was suggested that an external consultant be engaged in the exercise but the Principal felt that it was an analysis which the College, at least initially, could instigate themselves. The Principal added that the disadvantage of engaging an external body is that not only are there very few Sixth Form Colleges on the database which means that acquiring statistical comparisons is difficult, a great deal of College time would be taken up in supporting the work of an external consultant. The Chair was concerned about pressures already on the management team but Governors acknowledged that in the light of reduced funding in the future efficiency was key. The Principal referred to an annual report based on the ILR which Tribal produced.

6. Financial Update August 2009

The Director of Resources took Governors through the update, key elements:

- Staffing costs are in line with the budget for the first month of the year - a favourable variance of £5k.
- Over-recruitment of students has been accommodated by current teaching staff therefore no further tutor recruitment has been required. The Principal added that the new accommodation has also allowed for greater flexibility of timetabling.
- **Capital Project Summary** Governors noted the debtor of £1,342,816.
- **Activity Report** Governors noted the total LSC funding of £8,089,151. No funding reports have been received from the LSC to-date.

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

The Chair enquired as to whether there was a pattern of spend over the year and how was this identified. The Director of Resources responded that utility

costs are easy to predict and that the College does look at monthly and annual variances by management accounts. It is not a sophisticated method but some pattern can be identified. In addition, as the LSC have yet to issue their profile of income which can change depending on their own cash position, this can also affect the pattern of spend.

Referring to the *Student Numbers and Funding* table the Director of Resources confirmed that Retention of 103% means that the College is 3% over its recruitment target.

Governors noted the contents of the report.

7. Financial Memorandum 2009-10

The Financial Memorandum for 2009-10 has not yet been issued by the LSC, however they have issued an LSC contract position for 16-18 learner responsive provision and this was noted by Governors.

Governors commented that as Colleges are required to submit returns on time to the funding council then Colleges should also expect the same level of service in return.

In respect of funding and next April's transfer to the local authority, Governors enquired how this would work bearing in mind that the College's financial year ends in July. The Principal responded that discussions on MoG will be held where such questions hopefully will be answered. There was also the question of how funds will be transferred across the Borough lines. It was understood that the YPLA will become the arbitrator and a protocol would be put in place. The Clerk informed Governors that at the Full Governing Body meeting in October a report on all matters concerning the Machinery of Government changes will be presented.

Governors noted the contents of the Financial Memorandum.

8. Student Recruitment 2009

Currently the College is 47 students over recruitment target. Students need to be on-course for six weeks before the College receives LSC income. There is no additional funding for over-recruitment. The Principal reported that there was less post Admissions Day recruitment this year, indeed the College had to turn students away at an early stage.

Governors enquired about impact on class sizes in view of the additional students recruited, bearing in mind the earlier discussion in the meeting on financial savings and the impact on quality. The Principal explained that from early on in the recruitment process subject numbers are carefully monitored and controlled and waiting lists come into operation for the most popular subjects.

Governors noted the report.

9. Staff Salary Settlements 2009

Governors noted that there are no settlements concluded to-date. The aim would be to phase any settlement in and it is anticipated that the College budget will cover this.

10. Marketing 2009-10

The Principal informed Governors that the formal opening of the West Park building will be deferred until the whole of Phase 1 has been completed.

In considering the Marketing Report for 2009-10, Governors wished to congratulate the Marketing Team of the College for the work undertaken in promoting the College so successfully. One Governor highlighted an advert which had been placed in a local newspaper which definitely had the 'wow' factor. Governors were also impressed that since January 2009 there had been 44,794 visits to the College website, of these 31,320 were unique visitors and 13,474 returning visitors. The importance of a high quality website could not be underestimated.

Governors once again queried the marketing budget and whether this covered the costs. The Director of Resources explained that this figure is supplemented by other support areas.

Governors noted the content of the report.

11. Committee Performance Indicators 2008-09

The Clerk asked Governors whether they felt there were any areas which they considered to be good practice that should be included and whether the frequency of the meetings were appropriate. Governors wished to retain the current meeting structure as email is being used more and more to disseminate information. **Governors agreed therefore that it was not necessary to change the frequency but were willing to attend additional meetings if required to do so. Governors also suggested inserting Machinery of Government changes and the complexity in terms of funding and funding arrangements into the Agenda cycle.**

Governors noted the report.

12. Accident Report

Governors noted the data showing the accidents to staff and students in College since the 1st September, 2008. There were no incidents relating to the new build which, Governors felt, was comforting.

Governors noted the report.

13. Absence Report

Governors noted the very low rate of absence within teaching/support. Cleaning staff absence however is higher and this is a concern. This is being managed internally by cleaners extending their hours although it is an additional cost to the college.

Governors noted the report.

14. Any Other Business

None.

15. Date of Next Meeting

The next meeting will be held on **Wednesday, 11 November, 2009 at 8.00 am**. Owing to the re-arranged meeting date and the closeness of the October half term, when some members of the finance team will not be in college, any agenda item documents not ready seven days prior to the meeting will be emailed out to Governors.

The meeting closed at 9.50 a.m. and was followed by a tour of the West Park Building.

Signed by the Chair:

On this day: