



Minutes of a meeting of the Finance and General Purposes Committee held on Thursday 12 February 2009 in room 3F099, York College

- Present:** Hilary Bainbridge (Chair)
Alison Birkinshaw
Peter Burrows
David Johnson
David Marsh
Danny Morgan
- In Attendance:** Trevor Armer, Director of Finance
Richard Hinde, Clerk to the Governing Body
Graeme Murdoch, Deputy Principal Quality Assurance & Support
Anne Tyrrell, Deputy Principal Resources

The meeting started at 5.05pm.

Action

09.01 Apologies for Absence / Declarations of Interest

No apologies were received save for noting that David Marsh had been delayed. No declarations of interest were made.

09.02 Minutes of the Previous Meeting – 20 November 2008

The minutes and confidential minutes were approved as an accurate record and signed by the Chair.

09.03 Matters arising

a) Action Summary Sheet

The report was considered by the Committee, and it was noted that all issues had either been actioned or were in progress. It was reported that the College's Data Security Policy would shortly be presented to the College's SMT, and that further feedback would be presented to the Committee in due course in relation to the College's business units.

SMT

b) LSC Confirmation of Financial Health

The Director of Finance presented the report providing details of the College's request that the LSC re-consider its determination that the College's financial health be classified as 'Good' under Framework for Excellence. The LSC's response to this request was considered and it was noted that it was unlikely that the classification would be changed. It was then explained that Framework For Excellence (FFE) was being radically changed and that most of the financial dimensions were likely to be removed. Concern was expressed about this, but it was pointed out that the College's view had been to focus on what was really important for the College in any event and that this would not change. It was not felt that the changes to FFE would have any immediate impact on FE college governance.

(It was agreed that agenda items 4, 5(a) and 7 should be dealt with

together.)

09.04 Financial Report for the Five Months Ended 31 December 2008

The Director of Finance presented the report summarising the College's financial performance in the first five months of the 2008/09 financial year, although it was noted that a more up-to-date position was presented in the 2008/09 Mid Year Financial Forecast, which would be considered shortly.

09.05 2008/09 Financial Progress Reports

a) 2008/09 LSC and Other Funding Forecasts

The Director of Finance presented the report providing a summary of the Mid Year estimate of the College's main funding streams for 2008-09, based on the information available at 2 February 2009. It was noted that whilst it was still early to be forecasting the College's income to 31 July 2009, this forecast indicated that the College's LSC and other learner related funding could be £402,000 (1.5%) below budget.

It was reported that the College was below target for 16-18 income, although at this stage it was not expected that this would be subject to claw-back. 14-16 income was on target. Adult income was below target, as had been expected at the previous meeting in November. HE income was above target and International income was below target, again as had been reported previously. Further discussion took place and it was felt that the level of income earned through Employer Engagement activity was the area of most risk in the current economic climate.

(David Marsh joined the meeting at 5.20pm.)

09.06 2008/09 Mid-Year Financial Forecast

This item was considered as confidential for which a separate confidential minute was taken.

09.07 2008/09 Financial Progress Reports (continued)

b) Tutor Utilisation

This item was considered as confidential for which a separate confidential minute was taken.

c) Room Utilisation

This item was considered as confidential for which a separate confidential minute was taken.

09.08 Treasury Management

a) Treasury Management Report

The Director of Finance presented the report summarising the College's Treasury Management activities in the five months to 31 December 2008, and it was noted that the College's interest income in 2008-09 could be £177,000 below that budgeted.

The Director of Finance reminded the Committee that they had previously approved a Treasury Management Policy which said that the College would place its investments with not less than five banks. The College currently had £9 million invested, although this was likely to reduce and remain at between £7-8 million over the next twelve months. However due to various bank mergers these assets of the College were currently only invested with four banks and not five.

The Director of Finance circulated copies of current counter party assessments by Fitch and Moody's and explained that the only UK bank with a satisfactory rating not currently invested in by the College was the Clydesdale Bank. This had been because of the College's dis-satisfaction with the banking covenants this bank had sought to impose on the College. This therefore meant that the College was not currently complying with the requirement in its Treasury Management Policy to place its assets with five banks, and the Committee's consent was sought to amend this requirement to four banks.

Discussion took place about other possible solutions including investing in Government Gilts and building societies and it was **agreed** that the Director of Finance would continue to explore other potential investment options. In the interim, however, the Committee **agreed** to amend the College's Treasury Management Policy to reduce the minimum number of banks in which the College was required to place its assets from five banks to four.

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It was also queried whether the College would be able to secure any bank default insurance and **agreed** that this would be further explored.

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b) Loan Strategy

The Director of Finance presented the report identifying the potential financial benefits and risks associated with early repayment of the College's New College Project loan.

The Committee considered the relative merits of repaying the New College Project loan and noted that, at present, repayment of the loan could mean potential annual net savings to the College of between £150,000 and £200,000 in interest in 2009-10 and beyond. This would be offset by a 'one off' financial penalty of between £100,000 and £200,000 in 2008-09. The College's loan had a further twenty years to run.

The Director of Finance also circulated copies of an email from Lloyds TSB stating that they would no longer issue fixed long-term loans, but loans for up to four years or revolving credit facilities.

It was noted that the College's lease on its facility at Osbaldwick was due to expire in 2012 and any subsequent solution could involve the need for some capital expenditure by the College. The College was also considering its Information Strategy and, depending on the outcome reached, this too could involve the need for some capital expenditure by the College. Reference was made to the LSC's current moratorium on funding for all college capital projects.

It was queried whether the College's current financial position was strong enough to sustain continuing to finance the loan repayments, and it was confirmed that this was currently the case, although it might become unsustainable in the future. It was also confirmed that it would be possible for the College to repay the loan in part if it so decided.

(David Johnson joined the meeting at 6.20pm.)

It was further explained that the College did not yet know what its funding allocations would be for the next academic year, and suggested that it would be prudent to maintain the loan for at least the next three months until this situation was known.

The Committee acknowledged the need to weigh up the short to medium term benefits of repaying the loan against the medium to longer terms issues of possible difficulty in obtaining funding for any future capital projects. The Committee felt that this was an issue that should be considered by the full Governing Body at its next meeting and **agreed to recommend** the Governing Body to maintain the College's current New College Project loan subject to regular monthly review. It was also **agreed** that it could be worthwhile asking LloydsTSB what it would charge the College to reduce the current rate of interest on the loan.

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Clerk

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09.09 New College Project: Financial and Budget Report

This item was considered as confidential for which a separate confidential minute was taken.

09.10 2009/10 Budget

a) Draft Strategic Financial Objectives 2009/12

The Director of Finance presented the report providing details of the College's proposed strategic financial objectives for the period 2009/12. Reference was also made to the 2009/10 Initial Planning Budget that was presented. Consideration was also given to the following key issues to be considered in determining the nature of the College's Financial Objectives for 2009/10 and beyond:

- To re-establish a financial health category 'A' status by 31 July 2009 and maintain it through to 31 July 2012.
- To maintain the College's current 'Good' financial health under Framework for Excellence until 31 July 2010 with a

view to establishing 'Outstanding' financial health by 31 July 2011.

It was noted that the proposed Strategic Financial Objectives were consistent with these objectives.

It was noted that the Initial Planning Budget showed a deficit for 2009/10 of £515,000. Payroll costs were approximately £500,000 more (assuming a pay award of 2.5%), although non-payroll costs were predicted to be approximately £500,000 less. The College had already started looking at how savings could be made, whilst acknowledging that the key priority was always teaching & learning and quality. Consideration was given to the assumptions on income growth for the various categories of provision, and it was explained that improvements in College success rates should have a beneficial effect on learner numbers and income levels. Improving College progression routes was also seen as a key priority.

The Committee **agreed** to progress with the proposed Strategic Financial Objectives for 2009/12, and to consider them further at its next meeting.

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b) Draft Budget Timetable

The Director of Finance presented the report outlining the timetable for the preparation, approval and confirmation of the 2009/10 College Budget, which was considered with approval by the Committee.

c) Draft Capital Allocations

The Director of Finance presented the report requesting the approval of an initial capital budget for 2009-10. It was explained that this would allow progress to be made on the identification and planning of suitable projects, and that a final proposal for the College's capital budget for 2009/10 would be made to the Committee's meeting on 2 July 2009. It would also be discussed at the Committee's meeting on 21 May 2009, if appropriate.

09.11 2009/10 College Fees Policy

The Director of Finance presented the report with the final draft of the College's 2009/10 Fees Policy. It was reported that this strategy document had been reviewed by the College's Fees Task Group at its meeting on 15 January 2009, and that tuition fees represented approximately £2.0 million (6%) of the College's income in 2008/09.

It was reported that in view of the current economic climate and the associated concerns with adult provision, the College might have to take a more robust approach with regard to its competitors, and work was currently being undertaken in this regard. Further discussion took place in relation to the College's main competitors.

Clarification was also provided in relation to the payment of exam fees and the College's waiver of fees. The Committee **agreed to recommend** the Governing Body to approve the College's Fees Policy for 2009/10.

DF/
Clerk

09.12 Procurement

a) Procurement Report

The Director of Finance presented the report summarising the College's Procurement development activities in the six months to 31 January 2009. It was acknowledged that this initiative was proving to be successful and positive benefits were being achieved. In response to a specific query, it was explained that the College's £7million of non-pay expenditure was currently being looked at to ascertain what proportion was subject to a disciplined procurement process.

b) Draft Procurement Strategy

The Director of Finance presented the report with the initial draft of the Procurement Strategy for York College. It was explained that this had been one of the recommendations made in the LSC document 'Managing Procurement to Improve Front Line Services', and that this strategy document had been prepared for and reviewed by the College's Procurement Development Group at its meeting on 13 January 2009.

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Following the Committee's review, the next step would be to use the final Strategy Objectives as the basis of a Procurement Development Plan for the College. This would identify actions that would develop the College's procurement activities and resources in line with the objectives of the Strategy and, where appropriate, recommend good practice from within and beyond the FE sector.

The Committee **agreed** to support the development of the College's draft Procurement Strategy, whilst acknowledging that a further report would be provided in due course.

09.13 Committee Schedule of Business 2008/09 - Update

The Clerk to the Governing Body presented the report updating on progress against the agreed Committee workplan for 2008/09, as requested by the Committee at its meeting on 25 September 2008. It was noted that the vast majority of items had been considered at the anticipated times. It was also again stressed that this workplan was not exhaustive and a significant number of additional reports had been presented to the Committee at the meetings that had so far taken place.

09.14 Committee Effectiveness Questionnaire for 2007/08

The Clerk to the Governing Body presented the report and explained that, in considering the Governance self assessment for 2007/08, the Search & Governance Committee had suggested that it might be

beneficial for the results of the Committee Effectiveness questionnaires to be reported back to each individual Committee for information. The summary of the responses relating to the F&GP Committee, from F&GP members, was then considered. Discussion took place about the strengths and weaknesses of operating a governance committee structure, and potential duplication of reports between different meetings. Members requested that report writers should make greater use of executive summaries, highlighting the key issues on either the coversheets or at the start of each report.

09.15 Any Other Business

None.

09.16 Date of Next Meeting

Thursday 21 May 2009 at 5.00pm in room 3F099.

The meeting closed at 7.25pm.

Signed (Chair):

Name:

Date: