



Minutes of a meeting of the Finance and General Purposes Committee held on Wednesday 24 June 2009 in room 3F099, York College

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

The meeting started at 5.05pm.

Action

09.17 Apologies for Absence / Declarations of Interest

Apologies were received from Alison Birkinshaw and David Marsh.
No declarations of interest were made.

09.18 Minutes of the Previous Meeting – 12 February 2009

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

(David Johnson joined the meeting at 5.15pm.)

09.19 Matters arising

a) Action Summary Sheet

The report was considered by the Committee, and it was noted that all issues had either been actioned, were in progress or had been carried forward. The Director of Finance had explored the possibility of bank default insurance but found that it was not appropriate or available for the College's current purposes. In relation to the College's loan strategy it was reported that the cost of repaying the loan was now significantly less than when the matter was considered by the Governing Body at its meeting in March. The Committee **agreed** that it would be appropriate to set up a Sub-Group of the Committee to consider the matter in more detail at the appropriate time. This Sub-Group would then make a recommendation as to what course of action to adopt. It was further **agreed** that a recommendation should be made to the Governing Body at its July meeting for delegated authority to be given to the Chair and Vice Chair of the Governing Body, Chair of the Finance & General Purposes Committee and Principal to make a decision in this regard on the strength of the recommendation of the Sub-Group. It was further **agreed** that Members should notify the Clerk if they wished to participate on the Sub Group.

DF/ Clerk

DF/ Clerk

Members

b) Any Other Matters

There were no other matters arising.

09.20 2007/08 Financial Benchmarking Data

a) 2007/08 LSC Financial Performance Indicators

The Director of Finance presented the report providing extracts from the LSC's financial benchmarking information from 2007/08. The two extracts provided comparisons of the College's key financial performance indicators for 2007/08 with colleges of a similar size, and with a subset of higher performing colleges.

Whilst a number of the benchmarks were distorted by the New College Project, overall they confirmed the College's relatively strong financial performance in 2007/08. This had however declined since 2006/07 as the College had completed the final stages of the New College Project.

It was also noted that, as in previous years, the area of greatest focus needed to be the College's staff costs as a percentage of income. In 2007/08 this was 2.5% above that being achieved by financial health category 'A' and financially "Outstanding" colleges: though to be sure how significant this was more detailed comparisons would be needed, to check for example whether other colleges contracted out services performed by in-house staff in York.

The Committee noted the report and **requested** that further analysis should be carried out in relation to the College's staff costs and any apparent discrepancies with these comparator colleges.

DF

b) 2007/08 KPMG Audit Client Data

The Director of Finance presented the report providing a series of comparisons of the College's financial performance in 2007/08 with those of other KPMG clients, which had recently been provided to the College.

The extracts provided comparisons of the College's financial health and operational efficiency with that of other KPMG clients and confirmed that the College's performance was largely typical for a college of its size other than those measures distorted by the New College Project.

It was noted that this benchmarking data was provided at no additional cost to the College and the Committee **agreed** that it wished the College to continue participating in this analysis by KPMG.

09.21 Financial Report for the Ten Months Ended 31 May 2009

The Director of Finance presented the report summarising the College's financial performance in the first ten months of the

2008/09 financial year.

It was reported that after a large surplus in the early part of the year and then a decline to a small deficit in the middle of the year, the College was now showing a surplus again. This followed significantly higher receipts from the LSC in April and May than in January to March, and it was anticipated that receipts would fall in the remaining months to give a smaller surplus by the end of the year.

Discussion took place about the method of profiling income and it was confirmed that the College's income was profiled in line with expectations when it would be received and not simply on the assumption of one twelfth each month. Further discussion took place about the College's ability to maximise on this improvement and whether budgeting over a twenty-four month period would be beneficial.

It was reported that it was anticipated that the year 2009/10 would be a very difficult year, and observed that some of the improvements in this year's financial position related to measures being introduced in anticipation of next year.

09.22 2008/09 Progress Reports

a) 2008/09 LSC FE and Other Funding Forecasts

The Director of Finance presented the report providing a summary of the latest forecast for the College's funding from its "core" educational activities in 2008/09, based on information available at 11 June 2009.

It was reported that overall educational income for 2008/09 was forecast to be £75,000 (0.3%) above that anticipated in the College's 2008/09 Mid Year Financial Forecast. This would, however, be £369,000 (1.4%) below that assumed in the College's 2008/09 Budget.

The greatest variance was in relation to adult learners. This was said to be due to the fact that the College had recruited more, and the method adopted by the LSC in terms of reconciling performance against allocation. As a result the College would not be liable to any clawback in this regard. It was noted that Tenon Consultants had undertaken work with the Deputy Principal Resources in relation to the College's data returns, towards ensuring that full funding entitlement was being received. This had more than repaid the cost in the first year.

b) Capital Expenditure

The Director of Finance presented the report summarising the College's capital expenditure in 2008/09 based on information available at 31 May 2009.

It was reported that certain proposed expenditure had not been made. For example, proposed spending on Bromcom and Goldmine had been put on hold, and it was not now intended that this expenditure would be made unless as part of the College's future information strategy. Members queried the current situation with regard to the College's information strategy and it was reported that the College had carried out an internal review which had identified potential risks with the College's current IT system. The College was now at the tender stage for a formal review to be carried out, with the 13 July 2009 being the deadline for submissions. It was stressed, however, that this tender process related solely to the carrying out of the review itself. As a result of with-holding certain capital expenditure, the College was currently £159,972 better off.

Discussion then took place in relation to the issue of whether to buy or lease specific equipment and how often this issue was considered and reviewed. It was explained that this was usually done on a case by case basis, although the preferred option was usually to buy.

c) 2008/09 Treasury Management Report

The Director of Finance presented the report summarising the College's Treasury Management activities in the ten months to 31 May 2009.

It was reported that because of the fall in interest rates total interest receivable on the College's investments and deposits was £259,774, which was 62% of the 2008/09 budget of £417,000. The June Year-End Forecast indicated that interest income would be £270,000 in 2008/09. In light of the anticipated low levels of interest rates in 2009/10, the possibility of repaying the New College Project loan continued to be examined.

(It was agreed to take agenda item 8 out of order).

09.23 Treasury Management: 2009/10 Treasury Management Counter Party Agreements

The Director of Finance presented the report on the College's Counter Party Agreements confirming the methodology by which the College would select low risk financial institutions with which to undertake its treasury management activities, and including a proposed list of five financial institutions with which Counter Party Agreements could be established to facilitate treasury management activity in the period to 31 July 2010.

It was noted that the list of banks now satisfying the requisite criteria had halved in the recent past. It was also explained that the College had now engaged credit advisers who supplied weekly credit lists to the College. The College was investing in line with

sector guidance.

The Committee **approved** the proposed Treasury Management Counter Party Agreements, but acknowledged that the arrangements might have to be revisited if a decision was subsequently made to repay some or all of the College's New College Project loan.

09.24 2008/09 Progress Reports (continued)

d) 2008/09 Energy Management Report

The Deputy Principal Resources presented the report showing the progress made in the College's energy management and the resultant financial impact in the current year.

Members noted that improved energy management and the resultant efficiencies were estimated to reduce consumption by 11.2% in 2008/09, contributing to cost savings against target of £40,000. It was reported that a new "baseline" for energy consumption had been established following various initiatives developed and implemented during the year. New initiatives for implementation in 2009/10 and their estimated efficiency savings were also identified. It was also reported that an Energy Budget for 2009/10 had been established to take into account these new initiatives and the possibility of procuring new energy contracts at significantly lower prices than at present.

Further energy management initiatives and the possible opportunity to contract at lower prices in 2009 were forecast to reduce energy costs by a further £69,000 in the 2009/10 Budget.

The Committee wished to record its thanks to the team for all that had been achieved in this regard. Discussion also took place about the possibility of securing alternative energy sources for the College, and the availability of grants.

e) Tutor Utilisation

The Deputy Principal Resources presented the report showing that current planned utilisation across all Divisions was 94.72% compared to 94.13% in February 2009 and a minimum target of 93%. It was explained that this ranged from over 100% in the Maths & Numeracy and Education & Training Divisions to 90.27% in Skills for Life.

It was reiterated that there had been a number of changes to procedures regarding the approval of reduced class contact and data reporting which had impacted on utilisation. This was part of a drive to ensure efficient use of the College's staffing, which also included more frequent monitoring and action points.

It was further reported that the guidelines for reduced class contact

had also been revised as part of the College's planning for the 2009/10 budget. Discussion also took place in relation to management of average class sizes.

f) College Business Units

The Director of Finance presented the report summarising the financial performance of the College's Business Units in the ten months to 31 May 2009. It was reported that with the exception of Ashfield Travel, all units were performing in line with or ahead of the 2008/09 Mid Year Financial Forecast. However, in light of its consistent underperformance, the decision had been taken to close Ashfield Travel at the end of the current term with some associated redundancy costs. It was intended that the space currently occupied by Ashfield Travel would be utilised for further Hair & Beauty accommodation.

Overall the financial contribution of the business units in 2008/09 was forecast to be £78,000 compared to the £47,000 forecast in the Mid Year Financial Forecast.

Discussion then took place as to whether a notional cost per square metre should be attributed to each business unit in relation to the space that they occupied.

A further year-end report on the College's Business Units would be presented to the Committee in the autumn term.

DF

09.25 2008/09 Year-End Financial Forecast

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

09.26 New College Project: Financial Report

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

09.27 Partnership Reviews

a) Future Prospects

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

b) Yorkshire Rail Academy

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

09.28 Any Other Business

The Chair reported that it had been agreed at the most recent meeting of the Search & Governance Committee that the Finance & General Purposes Committee would assume overall responsibility for the College's marketing strategy and activities, and that it was proposed to revise the Committee's Terms of Reference in due

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course to reflect this. Relevant sections of the College's Strategic Plan for 2009/12 would also be presented at the next meeting of the Committee. **DF/
DPR**

09.29 Date of Next Meeting

Thursday 2 July 2009 at 5.00pm in room 3F099.

The meeting closed at 7.05pm.

Signed (Chair):

Name:

Date: