

The College of West Anglia
Minutes of Finance & General Purposes Committee
Tuesday, 17 June 2008, 8.30 am - Boardroom

Present	Andrew Cave	Chair
	Peter Dixon	
	Derek Stringer	
	Roger Ward	
	David Pomfret	Principal
Attending	Richard Williamson	Executive Director of Finance and College Services
	David Brooks	Financial Controller
	Hilary Reid	Clerk

1 Apologies

None, all members present.

2 Minutes of Previous Meeting –29 April 2008

The Minutes of the meeting of 29 April 2008 were agreed as a correct record and signed by the Chair.

3 Matters Arising

(i) Page 1 item 3(i) Local Government Pension Scheme

The Financial Controller reported that Cambridgeshire LGPS had appointed actuaries. A response was expected in 4-6 weeks.

4 Management Accounts to 30 April 2008

The Financial Controller presented the Management accounts to end April for consideration. He highlighted the following:

- A trading surplus of £834k against a budgeted surplus of £456k – the end of year full forecast was projected to be £514k. The May accounts projected £825k to end of year.
- The April deficit of £56k had been caused by the recognition of 7 years' depreciation (£124k) on the Vancouver building.
- LSC Local funding: £184k during the month, the biggest release being for the Post Inspection Action Plan of £120k but this was offset by expenditure.
- Train to Gain activity continued to be low and was of concern although a new contract with Cambridgeshire had been recognised in the May figures (£83k).
- £17k of funding for ESF projects had been recognised in this month's accounts – LSC and CRC confirmation of exact figures was awaited.
- Bank interest continued to accrue.

- Pay costs in overall terms were £312k below the current phasing.
- Train to Gain Assessor costs were £146k below budget mainly due to difficulties in recruitment.
- The budget process was complete. Academic staffing lists had been checked against budget and a similar exercise was to be undertaken for Support staff.
- Course materials were currently £57k under budget - £90k under budget was anticipated for end of year, the savings attributed in part to the setting up of a Purchasing Department.
- A review of utilities had been completed. The bill for the year had been estimated at £850k.
- The cash position had increased slightly during April to £8m because of a return to the normal level of LSC allocation and a payment of £590k from the LSC towards the accommodation strategy.

The current position was noted.

5 Financial Plan

The Executive Director of Finance and College Services presented the Financial Plan. He reported that the Plan was largely in agreement with the Budget, with one significant difference - the Plan calculates £200k less interest receivable than the budget and this was being investigated. Further, that this was a complex Plan and likely to contain errors. The Director illustrated his comments with a computer generated presentation. Key points from his detailed report are noted below:

(i) Income

Para 9: LSC 16-18 funding allocation has been projected on the basis of 2% growth to 2009/10 then around 4% per annum immediately following the opening of new buildings. This level of growth is below the growth in the 14-19 participation plan shared with the LSC.

Para 10: The fall in adult income results from the 10% cut imposed by the LSC for 2008/09 on adult (learner responsive) income. Some adult funding had also been transferred to employer engagement.

Para 12: Employer responsive funding, together with other commercial work, was scheduled to increase by 32% by 2016, which includes growth of 80% in Train to Gain. The LSC has indicated that it will fund over achievement in this area.

In response to a query, the Director explained the LSC procedures and rules relating to future Train to Gain contracts and the arrangements within the consortia.

In HE, projected growth was 82% up to 2016.

Para 15: The fees projection was based on increasing fee rates in line with LSC instructions. Free provision and a significant fall in adult learner responsive provision were expected to limit growth in fees.

Para 16: Growth in school income reflected the new diplomas. This would help to deliver 16-18 improvement.

Para 17: Only known projects attracting grants had been budgeted. Projects normally broke even.

(ii) Pay Costs

The projection included a one-off £2.5m provision in 2008/09 to meet the Cambridgeshire LGPS claim in respect of ex Isle College staff.

Based on existing posts and approved vacancies, pay costs would increase by 2-2.5% above the increase in training income. SMT regarded this as unsustainable and had budgeted for savings of £800k in pay costs (including a significant reduction in the part time pay budget). Specific measures would be sought in the next few months to realise these savings. If costs go above the level of income it will take the College into deficit. The model assumes that pay rate increases will be above inflation.

The focus must remain on staff costs – a 10% increase in teaching volumes, gives 8% in teaching costs.

(iii) Efficiency savings

4% savings had been assumed spread over two years 2009/10 and 2010/11. In the scenarios less growth assumed more efficiency savings.

(iv) Property maintenance

Maintenance costs were assumed to fall to 2007/08 levels on opening new buildings, though this may be too optimistic.

(v) Borrowings

LSC grants and loans: This section in the report was no longer valid because of an error in the model.

Cash flow: The bank has agreed to provide a loan of £35m. Discussions with Lloyds continue and a loan of up to £48m is to be requested. Our current projection shows the loan requirement will exceed £35m in 2011/2012.

(vi) Property Strategy

This assumes a phased building programme incorporating a delay of 8 months to the King's Lynn programme. The main reason for this is the LSC's desire for the project to be split and the College's emerging belief that this might be preferable. PSG were to consider this at the meeting called for 3 July.

The cost of the project - £178m – was to be reviewed and updated today. There had been a significant change from the previous £130m to £178m, accounted for mainly by inflation and by more detailed analysis of the various add-ons.

(vii) LSC grant payments

The Director explained the LSC financial model incorporating graphs illustrating the indicators that the LSC's capital committee take into consideration when determining grant levels. It was believed that the LSC would accept an 85% grant level based on a balance of the "affordability" indicators built into the LSC's financial plan model.

(viii) Capital expenditure

Capital expenditure of £3m outside the capital project had been assumed to 2009/10 to implement the College's ILT strategy and ongoing asset replacement/renewal.

(ix) Sensitivity Analysis

The sensitivity analysis was to be changed slightly and these changes would be reflected in the paper to Corporation.

Roger Ward proposed that, subject to the changes explained, the Financial Plan be recommended to Corporation for adoption. Seconded by Derek Stringer and agreed unanimously.

The Principal advised that Gordon Gillespie had been designated Director of Capital/Educational Developments and had taken the capital project lead from the Executive Director of Finance who was to focus on the financial aspects of the College and on short, medium and long-term planning.

The Chair of Committee, supported by members, commended the Executive Director on the work he had produced using Excel tools.

6 Budget 2008/09

In presenting the budget, the Executive Director of Finance and College Services acknowledged the work of the Financial Controller and thanked him for the major role he had played in preparing the budget.

The Director of Finance referred the Committee to his reports. He highlighted the following points:

- The operating surplus was £210k because LSC income was significantly lower than anticipated (the target set by management had been £750k); there was a fall in other income; capital expenditure had been included in recognition of the ILT strategy and the need to replace some equipment; and, pay costs were higher than anticipated.
- LSC funding had been split into four streams. Each funding area had been ring-fenced with no opportunity for virement. The only area of significant potential growth was in Train to Gain (budgeted to grow by 40%).
- Fees were under pressure.
- A reduction in contract income had resulted from the loss of Carter and Carter work and forecast reduction in the CITB contract.
- HE income was projected to grow by 18% - this income must be seen as a risk although support from the Joint Venture project is strong.
- FE fees have been increased by 9% and this may have an impact on recruitment.
- Pay costs have increased by 3%, budgeted to increase more than teaching income assumptions.
- Part-time pay budgets have been reduced by £700k and management have made an assumption that pay can be reduced by £300k during the year. There is to be more focus on support staff structures and on absence by sickness.
- Interest payable and receivable differed from the financial plan, which is based on a different cash flow model. The differences, which depended on assumptions re the capital project and the profile of income and payments, were being worked on. There is a risk that that work will result in the budget figure worsening – if so, this will be corrected at the re-forecast stage.
- The utilities budget is significantly higher than the previous year.
- Property Services budgets will increase from £1.7m to £1.9m 2008/09.
- The Principal's contingency has been budgeted at £500k and is considered to be very low given the uncertainties around some income streams (e.g. Train to Gain).
- The Capital budget of £3.7m had been subsequently reduced in the Financial Plan to £3m which will drive a slight reduction in depreciation charges.

Andrew Cave proposed, seconded by Peter Dixon, that the Budget for 2008/09 be recommended to Corporation for approval. Agreed unanimously.

7 Property Strategy Update

This item was deemed to be "Confidential".

8 VAT Update

This item was deemed to be "Confidential".

Richard Williamson left the meeting at 11.25 am.

9 LSC Funding Position for 2008-09

The Principal reported verbally on the current uncertainties around funding. He confirmed that 16-18 funding levels were known and remained in line with the financial plan. Further updates would be reported as final figures for 2008-09 were confirmed.

10 LSC Funding and Data Control

The Principal advised that Daniel White has been appointed Head of MIS and Exams and would be taking up post in August 2008.

The Principal presented the report of the Head of MIS (Rachael Baker). He explained that a slight under-performance on overall funding target was predicted, but that there would be no claw-back. The report provided a rationale for the outcome, primarily around 16-18. He added that if the current year's performance was repeated in 2008/09 there would be financial implications because of growth in adult under-funded provision.

The problems experienced with EBS because of software upgrades were noted. The resolution of the problems was at the College's expense and funds had been drawn from contingency to meet this.

The current position was noted.

11 Contracts over £100,000

This item was deemed to be "Confidential".

12 Any Other Business

None.

13 Chair's items for briefing to Corporation

- 3 Year Financial Plan
- Budget 2008-09

14 Date and time of next meeting

Tuesday, 18 November 2008

The meeting closed at 11.40 am