

<p>The College of West Anglia Minutes of the Finance & General Purposes Committee Tuesday 29 June 2010 – Room F313</p>

Present:	Andrew Cave Roger Almond Peter Dixon Derek Stringer Roger Ward David Pomfret	Chair Principal
Attending:	Richard Williamson Nicholas Barrett Mark Harris	Executive Director of Finance and Information Head of Finance Head of Funding and Exams (items 1 to 3 and 7)

1 Apologies

None – all members present.

2 Minutes of Previous Meeting – 27 April 2010

The Minutes of the meeting of 27 April 2010 were agreed as a correct record and signed by the Chair.

3 Matters arising

(i) Page 3 item8/9 – Data Control

The Executive Director of Finance and Information reported that management had considered whether register completion could be made part of the appraisal process but had concluded that any failure to complete registers is more properly dealt with through the disciplinary route.

The Head of Funding and Exams commented that the college will implement e-registers this summer and the fact that students' Educational Maintenance Allowances will depend on the correct completion of registers is likely to increase the incentive for staff to complete them on time.

4 Management Accounts to 30 April 2010

Governors agreed that it would be preferable to consider the May accounts, which had been circulated, after the papers for this meeting.

The Head of Finance presented the accounts, focusing on the following points:

- The high surplus resulted from high government funding in May. The profile of funding was lower in June and July.

- He felt that the outturn would fall within a range from £500k deficit to £250k surplus but was unable to project accurately because of uncertainties about whether this year's high summer maintenance projects would fall into this year or next.
- Most funding streams were on track, although there remained some confusion in funding statement we had received for the Response to Redundancy and Young Persons' Guarantee funding lines, which the college was unpicking.
- The part-time lecturing provision had been released but a further accrual would probably be necessary at the coming year end.
- Non-pay costs seem to be relatively well controlled.

In response to a question from the Chair, the Director of Finance said that the important figure for the bank covenants was the published surplus excluding exceptional income and costs. This was the trading surplus or deficit plus the "historical cost adjustment" (a credit of approx. £800k). Governors expressed a strong concern that this figure should be a surplus for 2009/10, giving the college the flexibility to incur deficits (after large maintenance costs) in the following two years. The Director of Finance and the Head of Finance both expressed optimism on this point.

Roger Almond asked whether the part-time budget had, in view of the budget over-run, been set too low. The Head of Finance confirmed that in his view it had, though there remained uncertainty about the final out-turn. Governors stressed the need to control part-time pay as with other budgets. The Director of Finance commented that the change in the budgeting process this year, whereby part-time teaching budgets were assessed against the teaching requirement, would increase the focus on this.

Governors were pleased at the responsible attitude being taken by departments on non-pay costs. Taken with good income figures, this suggested an improvement in the college's financial position since the reforecast.

The Head of Finance noted that there was £5m in the bank (after paying out the LGPS settlement), although this was expected to reduce as the year end approached.

He stated that the college is actively investigating alternatives to depositing surplus cash in an HSBC money market account, which was only bringing in around 0.25% interest. Nat West is currently offering around 1%.

Governors noted the positive overall position.

5 Financial Plan

This item was deemed to be "Confidential".

6 Budget 2010/11

The Director of Finance introduced the paper, commenting particularly on:

- The process based on contribution analysis and a closer linking to the academic plan to assess staffing budgets

- The ongoing consultation on staffing reductions that had resulted from this budget
- The capital budget, and in particular the amounts budgeted for buildings, IT and vehicles
- The increase in contribution from Employer Engagement
- Pay costs as a percentage of income, which are budgeted to reduce to 61% (still not reaching the 59% target needed in the long term)
- The level of contingency - 3% of income, in line with the college's aspirations
- A budgeted surplus that was below the £1m target set by this committee at an earlier meeting.

Roger Almond questioned the reduction in maintenance from £12m recommended in the building condition survey to £7.7m. The Director of Finance explained that this was based on a review by the Head of Property Services. It excluded curtain walling on the Tower – several £'million. Governors expressed approval of the college's approach of taking expert advice but then critically reviewing it.

Governors commented on the size of the IT budget and noted that this was likely to be an ongoing expenditure.

The Chair questioned whether the market would stand the additional full-cost fee income. The Director of Finance stated that budget was set by faculty heads. The increase reflected both a recognition that full-cost fees had been under-budgeted in past years and their need to find ways of retaining provision no longer being funded by the government.

The Chair asked for an explanation of the schools income, which the Principal gave, stating that the new government was reducing the importance of the new Diplomas. He reported an increase in PLO intake this year and summarized some recent, positive discussions with the Counties on collaborative provision.

Peter Dixon commented on the £120k sickness budget this year. Derek Stringer summarised the extensive discussion that had taken place at the Employment Policy Committee on this subject. The Principal noted the projection (in the separate paper on the financial plan) of higher staffing reductions next year and stated that discussions were about to start with staff and unions about changes in conditions including in the sickness regime and the incremental salary system. These were likely to be contentious but would be presented as mitigating the scale of redundancies. Governors noted that this college's 12%+ sickness rate compares poorly with the 9% sector average.

Governors noted that other colleges in the area were undertaking major staffing rationalizations.

Derek Stringer asked about the future prospects for HE. The Principal responded that the college had a very strong relationship with Anglia Ruskin University, with very strategic discussions at joint venture board meetings. Anglia Ruskin had assured the college that it was not looking to reduce the college's provision, though it is pressing for programmes that respond better to market needs. The Executive Director of Curriculum is leading the drive on this and some poorly-performing programmes have closed this year. Overall he saw HE as strategically important for progression opportunities and local skills. The Chair added that our relationship seemed to be one that Anglia Ruskin is

particularly happy with, and that they seem particularly keen on the use of our Milton campus.

The Director of Finance commented that in his view a 25% contribution was close to the maximum that the Employer Engagement area could make given funding constraints. Governors felt that this was a key area for relationships with employers and contributes to work with employers by other teaching departments. It uses less college resource than other teaching areas, justifying some reduction in contributions. The Principal stated that it is valued by partner organisations as a key factor in the college's contribution to the skills agenda. It was being closely managed by a member of the senior management team. Finally the virement flexibilities recently announced by the Skills Funding Agency give us scope to drive greater efficiencies.

Governors noted and supported the level of contingency (3%). They accepted a surplus below the original £1m target, commenting that this was a major improvement on the budgeted deficit for 2009/10.

Andrew Cave proposed that the committee recommend the budget to the Corporation. Roger Ward seconded the proposal.

It was agreed unanimously.

7 Funding position 2009/10 and Data Control/ Funding Position 2010/11

The Head of Funding and Exams presented the report.

He reported that we are exceeding our 16-18 funding target. We are about 70 learners below the learner numbers target and may struggle to hit this, but he felt it unlikely that the college would suffer as a result.

On adult funding, the college is well above the funding target. KPMG were due back in soon to finalize the actions from their funding audit.

The Principal updated the committee on the latest SFA bulletin confirming that:

- We will not suffer any cut in our Train to Gain allocation despite the government's £200m cut in the national Train to Gain budget
- We will be permitted to vire funding between all adult funding allocations (including learner responsive).

The Head of Funding and Exams tabled a one-page supplementary report on Train to Gain income showing a high target to be hit in the last month of the year. He is no longer certain that we will be able to hit this, although he felt it is likely that we will.

The Chair asked whether the government's financial year lay behind the heavily skewed profile of Train to Gain funding. The Principal confirmed this. Governors expressed concern at the plethora of subdivided targets that colleges have to work to.

The Head of Funding and Exams continued his summary:

- He was confident that we would hit the Apprenticeships target.

- PCDL is unlikely to suffer claw-back and provision was in place to justify next year's PCDL allocation.
- Response to Redundancy is performing better than expected. The College is still behind on its Cams target.
- Actions in response to the KPMG funding report were on track.
- Curriculum planning is on track.
- Registers are expected to be in place on schedule next year.
- The college is going through the process of identifying costs to support our Additional Learning Support claim but he was confident that we could claim the full funding.
- No reductions have been notified to the college in next year's funding allocations.

In response to a question from the Chair, the Director of Finance explained that tighter and more integrated systems will also help budgeting.

The Principal noted that the Young Persons Guarantee funding and the Response to Redundancy (both budgeted at £125k) will be withdrawn in December 2010 and at March 2011 respectively. They will be replaced by a new, unified "Welfare to Work" programme, details of which have yet to be announced. There is some risk that this will be targeted at the private sector rather than at FE colleges.

Governors noted the position with satisfaction.

8 CWA Enterprises – share buy-back

The Head of Finance presented the paper based closely on a KPMG report produced at the college's request. He reported that KPMG had put forward four options but that management and KPMG had jointly decided that the limited benefits did not justify the cost.

In response to a question from the Chair, he confirmed the main benefit of the buy-back would be to tidy up the balance sheet. There was no significant value.

Governors agreed unanimously not to proceed with the buy-back.

9 Contracts over £100,000 (if any)

The Principal reported the following contract over £100,000:

- Insurance

The Head of Finance stated that this was a one-year contract at a cost just below £175k. It represented a considerable saving on last year's cost of around £240k. The new contract was with a broker, Heath Lambert, and carried the potential for some rebate. Other colleges who used this supplier had reported positively. The Director of Finance noted that this was a one-year contract.

The Director of Finance reported two contracts that were likely to be signed in the near future for:

- The workshop block partial rebuild (£800k)

- Roofing work including safety equipment (totaling around £1m). It was not certain whether this would be one contract or split across several.

In response to questions from governors, the Principal and Director of Finance reported that part of the workshop block was being stripped back to its frame and rebuilt to house motor vehicle, plumbing and brickwork. It was consistent with the work on the Property Strategy being carried out by Pick Everard. The remainder of the block would be demolished.

Peter Dixon expressed disappointment that this matter had not been brought to the attention of the Property Steering Group at its meeting the previous week. Governors were concerned to prevent a repeat of previous contractual difficulties. The Principal apologized on management's behalf.

Governors asked whether the figures included VAT. The Director of Finance reported that he believed they did but would check.

Action: RW

Governors concurred that both the partial rebuild of the workshop and the roofing work were essential work.

Roger Ward proposed that the expenditure be approved. This was seconded by the Chair. Governors approved it unanimously.

10 Any other business

Roger Almond asked for an update on the Tower Block fire audit issues. The Principal stated that a recent audit by the Fire Service had identified concerns about several areas, including potentially serious concerns about the Tower Block. The Principal paid tribute to the open response by the Head of Property Services and the Health & Safety Officer to the Fire Service. No immediate enforcement action was taken, but the Fire Service had asked the college to produce a plan to address the risks. It did not lay down what it expected to see in that action plan, but specific concerns about the air-tightness of refuge areas, whether lifts were fire-safe and the location of the Foundation Studies kitchen would clearly need to be addressed and the plan would need to include specific actions. The Head of Property Services was attending a meeting with the Fire Service today to discuss progress and clarify whether our proposals were likely to be acceptable.

The Principal informed governors that the cost could be multi-million. The college's architects are aware of this and have included the implications in their draft property strategy. Their conclusion is that the college cannot afford to deal with both the Tower fire concerns and the renewal of Technology accommodation on this campus. No decisions could be taken until more detailed work had been completed.

Roger Ward asked about the scale of risks being run. The Principal said that this is a high-profile building both for West Norfolk and for the Fire Service, which is why they had called for an action plan rather than taking immediate enforcement measures. The college was already taking action for example:

- Removing the Foundation Studies kitchen on the ground floor

- Taking disabled students out of the Tower Block, with potential Disabled Discrimination Act implications.

11 Chairs items for briefing to the Corporation

- To recommend the Financial Plan
- To recommend the budget for 2010/11

**12 Date and time of next scheduled meeting:
Tuesday 16 November 2010, 8.30 am**