

**MINUTES OF THE MEETING OF THE FINANCE AND GENERAL PURPOSES
COMMITTEE HELD ON WEDNESDAY 4 JULY 2007
IN THE COMMITTEE ROOM, BEDMINSTER CENTRE AT 6.30 PM**

Present: T Bray, K Elliott, K Rendell (Chair) and M Timmins

In Attendance:

B Price	-	Governor
J Bentley	-	Director of Finance
R Thorold	-	Director of Resources and Estates
I Venn	-	Clerk to the Corporation
P Griffiths	-	Committee Services Officer

1 DECLARATION OF INTEREST

Brian Price, as a Bristol City Councillor, declared an interest in Agenda Item 8, Financial Analysis of the South Bristol Skills Academy.

2 APOLOGIES FOR ABSENCE

There were no apologies for absence.

3 MINUTES OF MEETINGS HELD ON 6 JUNE 2007

These were agreed as a true record.

4 MATTERS ARISING FROM THE MINUTES OF 6 JUNE 2007

4.1 Minute 6 Financial Health Rules

The Committee agreed that this should be an item for a meeting in November/December 2007.

Action: Director of Finance

4.2 Minute 7 FE Allocations 2007/08

The Committee had been informed of the College's FE allocations for 2007/08 at its last meeting, however further information had been awaited on Work Based Learning and Train to Gain. The allocation had now been notified to the College which was £3.5m and £492k respectively. In addition, the College will receive an allocation of £1.1m to lead a consortium of providers to work with disengaged young people.

4.3 Minute 8.1 Debtors

The Committee was informed that a solicitor's letter had been sent to the organisation which owed £136k to the College, with a deadline for a response by 9 July 2007. If no response is received, or the claim refuted, notice of Court action will be served.

Members were further informed that of the £300k owed by another organisation, relating to amounts due from 2005/06 and further amounts

arising in 2006/07, the College was assisting with their claim for grants to meet some of the outstanding debt.

4.4 Minute 9.1 Hartcliffe Running Costs

The Committee noted that details of the running costs for the Hartcliffe Vocational building will be presented to the Committee in the autumn term, following a legal and financial review by the College.

Action: Director of Resources and Estates

5 MANAGEMENT ACCOUNTS TO 31 MAY 2007

The Director of Finance presented a paper together with the Management Accounts to 31 May and a cash flow chart.

Members noted that the accounts showed a surplus of £585k and the key risks areas continued to be:

- shortfall in fee income;
- curriculum delivery pay costs; and
- premises maintenance costs.

In addition, other risks related to a requirement to increase the restructuring fund to meet the costs of realignment. The whole year budget is £250k, and charges to date are £218k.

The Committee also received a schedule setting out progress towards LSC funded enrolment targets. Members attention was drawn to the changing profile of learner numbers, in particular the impact in the reduction of the adult contract. During the course of the discussion, it was noted that a report on comparisons of student numbers (LSC funded and others) would be presented to the Committee and would include comment on the effect of College policy to lessen dependence on LSC funded contracts.

Action: Principal

The Committee was informed that the planned disposal of Downend and Folly Lane sites was progressing and the sites are about to be advertised on the open market.

The Committee received the report, noting that the College remains solvent and able to meet its liabilities as they fall due.

6 PROJECTED OUTTURN AT 31 JULY 2007

The Committee received details of the projected out-turn to 31 July 2007, noting that a year-end operating surplus of £248k was predicted. There was currently a contingency of £70k, which may be needed to cover additional restructuring costs, and/or costs of delivery incurred to improve the College's outturn of full level 2 qualification targets and the Train to Gain contract.

Members were reminded that a risk remained with the FRS17 (pensions) provision, as the actual cost to the College will not be known until the actuarial valuation is completed in September.

The Committee received the report.

7 DRAFT FINANCIAL ESTIMATES 2007/08

The Director of Finance presented a report and Members noted that a comprehensive review of each College budget centre had been undertaken resulting in a predicted budget surplus of £459k (after provision for a 2% contingency) for 2007/08.

The Committee noted that there were a number of risk areas which could impact on achieving the predicted surplus, particularly premises costs.

Members noted the assumptions made in formulating the budget included factors concerning:

- pay awards;
- non-core activities; and
- an inflation figure of 2.5%.

Members asked a number of questions relating to the loss making, non-core activities of child care and catering provision. The Committee was advised that the loss on these activities was budgeted to reduce by £100k, to be achieved by the outsourcing of the College's catering provision from 1 August 2007 and the introduction of a new Child Care Strategy which will be more flexible to student needs. It was noted that part of this strategy had involved a proposed closure of Ashley Down nursery, as it was no longer fit for purpose, and investigating outsourcing partners for the Soundwell nursery.

The Committee noted that further work will be undertaken on the detail within cost groups outlined in the Financial Estimates, but it was expected that overall totals would remain.

The Committee received the report and agreed to recommend to the Board that the Financial Estimates be approved as the operating budget for 2007/08.

Action: Clerk

8 3 YEAR FINANCIAL STRATEGY AND FORECAST 2007-2010, AND FINANCIAL ANALYSIS OF THE SOUTH BRISTOL SKILLS ACADEMY

The Director of Finance informed the Committee that the 3 Year Financial Strategy and Forecast was based on the strategic aims of the College. These aims were currently being revised and would be presented to the Main Board at its next meeting.

The Committee received the Financial Analysis of the South Bristol Skills Academy (SBSA), noting the details would be contained in the College's 3 Year Strategy and Forecast 2007-2010. Members noted that as part of the submission to the LSC, there was a requirement to set out a 10 year budget forecast.

Members were reminded that the capital projects relating to South Bristol were to dispose of the Bedminster site together with the remaining land and buildings at Hartcliffe; to create a new building at Hengrove (the SBSA) and

lease vocational facilities at the new Hartcliffe Campus. The analysis outlined the impact on the College finances of this.

The Committee noted that the projected cost of the SBSA of £28.6m would be funded in part by sales proceeds of £7m (24.5%) and LSC grant of £9.1m (32%).

In addition to the procurement costs, there would be rolled up interest of £1.2m and additional borrowing costs relating to the wider College estate. The balance would be met by short term borrowing during the construction phase, which was estimated to peak at £21m in 2009/10 and then be covered by a long term (20 year) loan of £15m.

Members further noted that the key financial risks were:

- delays in the approval process incurring further inflation of construction costs;
- project over-run costs;
- delay causing increased financing charges;
- interest rate changes;
- change in risk attitude to the FE sector of market lenders affecting ability to borrow and the borrowing rate;
- maintenance of current levels of business whilst the Bedminster site deteriorates;
- lack of certainty of funding for forecast growth;
- timing of asset disposal and sale price; and
- accommodating loan and interest repayments from core operating budget.

In response to questions, Members were informed that the Skills Academy building would be owned by the College and the land would be on a 999 year peppercorn lease.

Following detailed scrutiny of the analysis, Members were satisfied that there would be further opportunities to scrutinise the risks during the approval process.

The Committee noted that further details about the education and property case had been sent to Board Members in advance of the Corporation Meeting being held on 10 July. In addition, details of costs for the next stage, Stage D (tender for construction) would be provided at the Board Meeting.

The Committee received the report and agreed:

- **that minor amendments be made to the format of the paper for greater clarification prior to its submission to the Board;**
- **to recommend that the Board approve the submission of the project to the LSC for approval in principle and capital support, within the parameters of the assumptions set out in paragraph 2; and**
- **subject to LSC approval in principle and the level of capital support, the project should proceed to the next stage, Stage D – tender for construction, subject to Stage D costs being made available to the Board.**

Action: Clerk

9. STANDING ITEMS

9.1 Capital Projects Report

The Director of Resources and Estates reported on the following:

South Bristol Development

- the education case for the SBSA has been revised in light of discussions and advice that has been received from the Local Learning & Skills Council (LLSC) and will be considered by the Corporation Board at its next meeting;
- the College has developed and agreed, in principle, a realistic contribution rate that will form the basis for a recommendation to take the application forward to the next stage;
- the project team are developing the building scheme to enable the College to take the overall application to the LSC national capital committee in September 2007;
- discussions are nearing a conclusion with Bristol City Council regarding the overall purchase of zone 9 at the Hengrove Park development; however the master plan for the site will not be completed and submitted for planning approval before early September; and
- the approval of the master plan in September should not affect the College's detailed planning application.

Hartcliffe Development

- the Building Schools for the Future scheme at Hartcliffe commenced on site in January and is scheduled to be complete by December 2008; and
- details of the running costs contribution for the Vocational building have been received and are being analysed.

Lawrence Weston Development

- agreement has been reached with the property department of Bristol City Council regarding the purchase of the Lawrence Weston site. However, the College is currently reviewing its options regarding curriculum delivery in that area of Bristol, before proceeding with the purchase of agreed areas; and
- one of the options being considered in that area of Bristol includes collaboration with the Local Education Authority over the use of accommodation at the recently rebuilt Portway School.

Disability Discrimination Act (DDA) Works

Work on DDA items across the College is nearing completion. The final date for completion has now been set at the 31st July 2007. Expenditure against budget:

- Total Project budget: £1541k
- Project Expenditure to date: £1230k.

The Committee received the report.

9.2 College Companies and Joint Ventures

The Director of Finance advised Members that there had been no change to the position last reported regarding College Companies and Joint Ventures.

10. ANY OTHER BUSINESS

No other business had been notified.

11. DATE OF NEXT MEETING

It was noted that the next meeting would be held on Wednesday 3 October 2007 at 6.30 p.m. at the Bedminster Centre.

The Meeting closed at 9.15 p.m.