

**MINUTES OF THE MEETING OF THE FINANCE AND GENERAL PURPOSES
COMMITTEE HELD ON WEDNESDAY 6 DECEMBER 2006
IN THE COMMITTEE ROOM, BEDMINSTER CENTRE AT 6.30 PM**

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

In Attendance:

S Cox	-	Financial Statements Auditor, KPMG
J Bentley	-	Director of Finance
R Thorold	-	Director of Resources & Estates (DoRE)
I Venn	-	Clerk to the Corporation
P Griffiths	-	Committee Services Officer

1 DECLARATION OF INTEREST

There were no declarations of interest pertaining to the Agenda.

2 APOLOGIES FOR ABSENCE

All Members were present.

3 MINUTES OF MEETINGS HELD ON 20 SEPTEMBER AND 11 OCTOBER 2006

These were agreed as a true record.

4 MATTERS ARISING FROM THE MINUTES OF 11 OCTOBER 2006

4.1 Minute 7.2 Annual Report 2005/06 on College Companies and Joint Ventures

It was noted that the Corporation Board received the report at its October Meeting.

4.2 Minute 7.4 Committee's Annual Report to the Board 2005/06

It was noted that the Corporation Board received the report at its October Meeting.

**5 MEMBERS' ANNUAL REPORT AND FINANCIAL STATEMENTS
2005/06, INCLUDING MANAGEMENT LETTER**

S Cox, Financial Statements Auditor, KPMG presented the Draft Annual Report and Financial Statements 2005/06.

Members were pleased to note that there were no significant issues in the Report and the Auditor's opinion would be unqualified on the accounts of the College and its subsidiary companies.

Members' attention was drawn to the judgement issues contained in the Report and the Committee was pleased to note that there had been a reduction from 5% to 2% in the general provision for bad debts in the financial statements. This has been due to improved credit control procedures and a reduction in the use of the provision.

The Committee noted that adjustments to the accounts had resulted in a year end operational surplus of £36k as opposed to a deficit of £380k, predicted at the last meeting. These adjustments related to:

- Ashley Down overage payment;
- capitalisation of interest costs¹; and
- a reduction in accrual relating to the recruitment of NVQ students through the Association of Colleges.

The Committee noted that the detail in the Financial Statements was familiar to them, as they had tracked the changes from the original budget during the year.

The Committee recommended that the Board approve the Members' Report and Consolidated Financial Statements for the year ended 31 July 2006 from a financial perspective and authorise that the Letter of Representation be signed by the Chair.

Action: Director of Finance and Learner Information

S Cox then left the meeting.

6 FINANCIAL ACTION PLAN – SUMMARY OF PROGRESS

The Director of Finance presented a report and Members noted that both the College Top Level Plan and the detailed Financial Services Action Plan will be monitored by the Audit Committee through reports from the College's Internal Auditors.

The Committee noted the detail of actions completed to:

- improve the forecasting of income;
- improve budget setting and forecasting of costs; and
- identifying cost reductions.

The Committee received the report and agreed to receive similar reports at each meeting.

Action: Director of Finance and Learner Information

7 MANAGEMENT ACCOUNTS TO 31 OCTOBER 2006

The Director of Finance presented a paper together with the Management Accounts to 31 October 2006 and a cash flow chart.

The Committee noted that the accounts showed a deficit of £84k against a predicted surplus of £148k. This was due to:

- income variances relating to the Higher Education (HE) contracts; and
- cost variances in curriculum delivery pay costs, mainly in the delivery of additional learning support (ALS).

¹ Interest costs incurred on the bank loan taken out to finance the Ashley Down development have been capitalised, i.e. removed from the Revenue Account and capitalised as part of the asset.

Members noted that the College had expanded its HE provision and discussed the risks associated with a shortfall in recruitment and the consequential impact on HE fee income. They also noted that the forecast reductions in costs associated with ALS are planned to be achieved from January onwards (*Minute 8.5 refers*).

The Committee also received a schedule setting out progress towards LSC funded enrolment targets, noting that the College was currently £1.5m in excess of the 16-18 contract due to a combination of the number of enrolments and the rate per full-time equivalent (FTE).

In consideration of the cash flow, Members noted that cash levels were low due to the repayment of the £4.5m revolving loan facility, made in order to save an interest cost of £21k per month.

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

8 REPORTS

8.1 Bi-annual report on Debtors

The Director of Finance presented the report and Members had previously noted that there had been a reduction from 5% to 2% in the general provision for bad debts in the financial statements (*Minute 5 refers*).

The Committee noted that outstanding money from debtors at 31 October stood at £4.03m, which included amounts from various sources including the outstanding balance on the sale of part of Ashley Down, grants from the LSC, other accruals and payments from the College's HE partners. The major risk to the College was the non-payment of monies owed through the sales ledger which amounted to £1.94m at 31 October.

It was further noted that an analysis of debts showed an improved profile, thereby decreasing the risk of non-payment. Of the highest balances outstanding at the year end, one had been reduced during the first quarter of the current financial year and another was being pursued through the College solicitors.

The Committee received the report.

8.2 Financial Health Grade 'A'

The Committee received a report which outlined LSC guidance to Colleges on the self assessment of Financial Health. It was noted that when the LSC assess the financial health of a college, it considers the guidelines for financial health category, the college's self-assessment, the computed health group and a range of 'soft' factors. Some measures concentrate on the overall strength of the balance sheet, solvency and the likelihood of the college achieving its income and expenditure projection.

Members noted that the 'soft' factors taken into account include management style, data management performance, risk management and contingency planning.

The Committee considered and discussed the measures identified by the LSC, against the College position as at 31 July 2006. The College would be a marginal 'A' based on the criteria outlined in the report. It was noted that financial performance was considered in LSC decision making processes but having category 'A' status can count against the College in terms of borrowing for capital projects.

The Committee received the report.

8.3 Fees Policy 2007/08

The Director of Finance presented the report and Members were reminded that the Instrument and Articles of Governance required the Board to approve a fees policy for the College.

It was noted that in order to achieve the financial strategy of reducing reliance on LSC funding, changes were required to:

- Higher Education (HE) fees;
- other 'fees only' (full cost recovery) provision to individual and corporate clients; and
- fees for international students.

The Committee was reminded that the 16-19 contracts were funded on the basis that colleges are not permitted to charge fees to these students. LSC funding of the adult student contracts is based on an assumption that students pay a percentage of the cost of a course (fees) and the LSC funds the remainder.

The LSC have implemented their plan to increase the assumed fee element by stages to 50% of the cost of a course. As a consequence, the College would have to increase fees by 15.3% for 2007/08 in order to bridge the gap in funding. It was proposed to make an additional increase of 3% for inflation and round up to a total increase of 19%.

Members considered the other proposals for fee increases set out in the paper, noting that extensive research had been carried out across the HE and FE market place.

The Committee received the report and recommended that the Board approve the following fees policy for 2007/08:

- **a fee increase of 19% for FE students;**
- **an employer fee contribution for Work Based Learning rates of 50%;**
- **pro-rata of the full-time rate of £1,225 per annum for part-time HE students;**
- **a minimum rate of £4 per hour for FE 'fees only' students, with an additional charge for materials to be decided by faculties;**
- **a minimum group fee of £100 per hour, excluding materials and expenses, for corporate clients; and**
- **where the College is not bound by franchise contracts, a fee of:**
 - **£5,750 for HE International Students;**
 - **£5,000 for FE Aeronautical Engineering Students;**
 - **£4,750 for FE International Students (excluding Aeronautical Engineering); and**

- **£3947 for English as a Foreign Language Students.**

8.4 Catering Review

Members noted that following a Consultant's review of the College's catering operations, a tender process had been undertaken with a view to the possible outsourcing of this service. Discussions were continuing with the preferred contractor and a financial offer was currently being considered by the College.

The Committee received the report.

8.5 Additional Learning Support – Funding Methodology

The Principal presented a paper, which described the funding methodology used by the LSC in providing grants for additional learning support (ALS).

The Committee was reminded that recent changes in funding had resulted in the College's overall budget for adult provision being reduced by over £1m together with a reduction in the LSC grant for ALS. Members noted that, in previous years, the College has been able to top up the ALS grant with money from its own resources. However, the overall funding changes have put considerable pressure on the budget and there was a need to identify further reductions in the ALS budget.

The impact of these reductions has meant that changes are being implemented covering aspects of ALS delivery in faculties, Learning and Language development and in the College's Disability Support Unit. The changes are designed to maintain the level of support to students whilst changing some working practices and methods of delivery.

Members received a detailed breakdown of income and costs of ALS funds noting that the College was under funded for ALS and that there is no additional funding available from the LSC to cover the costs. In 2005/06 the College subsidy amounted to £766k, and £360k has been built into the 2006/07 baseline budget.

The Committee received the report.

9. STANDING ITEMS

9.1 Capital Projects Report

The Director of Resources and Estates presented a progress report on Capital developments.

Ashley Down

The Committee noted that under the final phase of development at Ashley Down the internal refurbishment of Brunel House and all other outstanding external works have been tendered and analysed. The timescales and logistics for conducting this work were currently under review.

Soundwell

Members noted that the official launch of the Soundwell development took place on the 17 November 2006 and the project team was currently working with the contractor to settle the final account, with the overall expenditure remaining within the agreed budget.

Hartcliffe

The Committee noted that the development of the overall Building Schools for the Future scheme has completed financial close and the development will start on site in January 2007 with a completion date of December 2008.

The revised scheme relating to College land has been agreed by Bristol City Council Planning Department and a draft lease for the vocational building was being reviewed.

Lawrence Weston

The Committee was pleased to note agreement had been reached with Bristol City Council over the site that was being sold to the College.

College Green

Members noted that Unite had completed outstanding works and agreement had been reached for the College to retain £104k of the £300k retention monies. An interim payment of £100k was paid to Unite in December and the remaining £96k will now be paid.

Disability Discrimination Act (DDA)

The Committee noted that work to ensure College sites complied with the DDA had progressed well but would be continuing into the New Year. Permission had therefore been sought from the LSC for an extension to the deadline date of November for completion.

South Bristol

Members noted that the financial and educational case for the South Bristol Skills Academy was still being developed and will be available for consideration at the Committee's next meeting.

Action: DoRE

It was further noted that progress has been made regarding the purchase of zone 9 at Hengrove Park and discussions were taking place with the LSC, SWRDA and BCC regarding the overall development.

In response to questions, it was noted that zone 9 would be identified on a plan and provided to Members at a future presentation.

Action: DoRE

The Committee received the report.

10. ANY OTHER BUSINESS

No other business had been notified.

11. DATE OF NEXT MEETING

It was noted that the next meeting would take place on Wednesday 7 February 2007.

Afternote: The date of the next Meeting was subsequently changed to 14 February 2007.

The Meeting closed at 9.00 p.m.