

**MINUTES OF THE MEETING OF THE FINANCE AND GENERAL PURPOSES
COMMITTEE HELD ON WEDNESDAY 5 DECEMBER 2007
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:

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

Apologies for absence were received from Stephen Hewitt

3 MINUTES OF MEETING HELD ON 3 OCTOBER 2007

These were agreed as a true record.

4 MATTERS ARISING FROM THE MINUTES OF 3 OCTOBER 2007

4.1 Minute 7.2 Annual Report 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 Annual Report of the Committee 2006/07

It was noted that the Corporation Board received the report at its October Meeting and had agreed to the Committee's recommendation that its terms of reference and standing orders be amended.

4.3 Minute 7.4 Bi-annual report on Capital Budget Monitoring

It was noted that the Corporation Board received the report at its October Meeting and approved the core College Capital Expenditure Budget and an extension of the revolving credit facility.

4.4 Minute 9 Credit Card Providers

It was noted that the Corporation Board received the report at its October Meeting and approved a change of provider of the credit card transactions service to Evalon Merchant Service.

4.5 Minute 10 Annual Report on Overseas Visits 2006/07

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

5. MEMBERS' ANNUAL REPORT AND FINANCIAL STATEMENTS 2006/07 INCLUDING MANAGEMENT LETTER

The Director of Finance presented the Draft Annual Report and Financial Statements 2006/07.

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.

The Committee considered the Management Letter, and Members' attention was drawn to recommendations relating to:

- accounting for deferred capital grants;
- HE franchise income; and
- capital developments.

The Committee noted late adjustments to the accounts, which were not considered to be material, relating to:

- a BACS payment initiated on 30 July but not made until 3 August;
- deferral of income on the Education Unlimited project;
- accrual for rent-free period on Orpen Park lease;
- adjustment to debtors;
- FRS17 Pension benefits; and
- transfer from revenue to capital for computers received just before year end.

The Director of Finance informed the Committee that the accounts contained provision for a bad debt of £533k but the College had recently negotiated repayment of 80% of this debt, to avoid costly litigation. Members noted that due to uncertainties as to when the monies will be received, the amount was likely to be restated in the 2007/08 financial statements.

Members asked a number of questions relating to the accounts and highlighted some typographical errors in the Draft Annual Report.

The Committee recommended that the Board approve the Members' Report and Consolidated Financial Statements for the year ended 31 July 2007 from a financial perspective and authorise that the Letter of Representation be signed by the Chair.

Action: Clerk

6. FUNDING AND PERFORMANCE 2006/07

The Principal gave a presentation to the Committee which outlined the outturn for 2006/07 of LSC funded contracts against targets and the impact that this might have on negotiations for the 2008/09 contracts.

Members noted that the College had exceeded the 16-18 year old target by 228 full-time equivalent students (fte) but was slightly under the adult target. It was recognised that over achievement of 16-18 recruitment had necessitated a movement in funding between the two contracts, which would not be permitted in 2007/08.

The Committee further noted that the College was slightly under target for adults for full level 2, 3 and Skills for Life, which are LSC priority areas, but that should be placed in the context of meeting the needs of 16-18 year olds and a good overall performance by the College. The risk to the College is that the LSC will base funding of adults for 2008/09 on the basis of the 2006/07 outturn.

The Committee received the report.

7. MANAGEMENT ACCOUNTS TO 31 OCTOBER 2007

The Director of Finance presented a paper together with the Management Accounts to 31 October 2007 and a cash flow chart.

The Committee noted that the accounts showed a surplus of £83k against a predicted break even position, which was due to the following variances:

- income:
 - the LSC Train to Gain contract;
 - fees;
 - Higher Education Franchise contracts; and
 - non core activities, particularly the delayed transfer of Catering Operations.
- expenditure:
 - curriculum delivery pay costs; and
 - curriculum support, business support and premises costs being contained within budget allocations.

The Committee also received a schedule setting out progress towards LSC funded enrolment targets, noting that the College was aiming to achieve the 16-18 and 19+ contracts.

Members noted that the balance sheet showed a deficit in net current assets, which was due to costs associated with the South Bristol Skills Academy project and repayment of the revolving credit facility. This position will be reversed when the proceeds from the sales of Folly Lane and Downend are received and did not impact on the solvency of the College.

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 noted that outstanding money from debtors at 31 October 2007 stood at £3.6m, compared to £4.0m in October 2006, £2.7m in July 2007 and £3.1m in April 2007. The major risk to the College was the non-payment of monies owed through the sales ledger, which records invoices raised by the College for fees and other services to corporate clients who sponsor students. This amounted to £2.1m at 31 October 2007.

Of the highest balances outstanding for more than three months, there were two significant amounts totalling £688k.

£553k owed by one organisation relates to amounts due from 2005/06 and 2006/07. Members had noted earlier in the meeting (*Minute 5 refers*) that the organisation had now agreed to pay £423k, of which £200k has been received.

£135k was owed by Training for Tomorrow Ltd. During the time the College was pursuing litigation to recover the amount, the organisation went into liquidation.

The Committee received the report and recommended to the Board that the sum of £135k be written off in accordance with Finance Regulation 8.5, noting that this had been fully provided for in the accounts.

Action: Director of Finance

8.2 Fees Policy 2008/09

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 16-18 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 continues to implement its 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 13.3% for 2008/09 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 17%.

Members considered the other proposals for fee increases set out in the paper.

The Committee received the report and recommended that the Board approve the following fees policy for 2008/09:

- a fee increase of 17% for FE students;
- an employer fee contribution for Work Based Learning rates of 50%;
- pro-rata of the full-time rate of £1,255 per annum for part-time HE students;
- a minimum rate of £4.20 per hour for FE 'fees only' students, with an additional charge for materials to be decided by faculties;

- a minimum group fee of £110 per hour, excluding materials and expenses, for corporate clients; and
- where the College is not bound by franchise contracts, a fee of:
 - £5,900 for HE International Students;
 - £5,500 for FE Aeronautical Engineering Students;
 - £4,900 for FE International Students (excluding Aeronautical Engineering); and
 - £4,400 for full-time English Language classes.

8.3 Financial Regulations

The Committee received a draft of the revised Financial Regulations for scrutiny, noting that the objective of the re-drafting was to improve the flow of the document and remove a number of inconsistencies.

It was further noted that the revision had been carried out with input by the College Internal Auditors and would be considered in due course by the Audit Committee.

Action: Clerk

The Committee received the report.

9. CAPITAL PROJECTS REPORT

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

Hartcliffe Development

Members were reminded that informed consent has been given by the Board to lease the 'Vocational Building' for a period of 25 years, with a break clause at year 10, and the Committee has previously discussed the running costs of the building.

It was noted that:

- although the lease has not yet been formally agreed, the College will find it difficult not to honour some form of agreement for the leasing of the building; and
- the College is currently seeking reassurances regarding the income stream from 14-16 provision and is also discussing with Bristol City Council (BCC) a reduction in the length of the break clause.

South Bristol Skills Academy (SBSA)

- The application for support and Approval in Principle (AIP) for the SBSA has been approved by both the Local Learning and Skills Council (LLSC) and the National Capital Committee of the LSC;
- discussions are complete with BCC regarding the purchase of zone 9 at the Hengrove Park development and the Heads of Terms are with College solicitors for consideration;
- the BCC master plan for the site and the College's detailed application has been submitted for planning approval and it is anticipated that the Planning Committee will determine the application(s) in March 2008;
- the Project Managers are currently drawing up specifications for the SBSA building and tender documents for the appointment of a Main Contractor.

Lawrence Weston

- The College is currently reviewing various options for curriculum delivery in the Lawrence Weston area following discussions with BCC on capacity in the north west of Bristol;
- a strategic decision will be made as to whether the College has a future in the buildings that it currently owns or leases;
- if the College decides not to purchase the buildings then BCC has expressed an interest in considering the joint sale of the site as a whole and this could provide the College with capital receipts of approximately £1.5 - £2M;
- a formal valuation of all of the property that the College owns at Lawrence Weston is being prepared and will be available in late December 2007.

Bedminster Centre

This is the subject of a confidential minute, due to the commercial sensitivity of the report.

The Committee received the report.

10. ANY OTHER BUSINESS

The Principal updated the Committee on the proposed acquisition of Brunel and Gordano Training Group Limited and Members noted that this was the subject of a full report at the next Board Meeting.

11. DATE OF NEXT MEETING

It was noted that the next meeting would take place on Wednesday 6 February 2008 at 6.30 p.m. in room 1.19, Bedminster Centre.

The Meeting closed at 9.00 p.m.