

CORPORATION OF KIDDERMINSTER COLLEGE

Minutes of the Finance & Personnel Committee held on Wednesday 3rd November 2010 at 18.00 hours

FP 716 Present	David Cory, Chair Mick Cooper Andy Dobson
FP 717 Quorum	3
FP 718 In Attendance	Derek Harrison, Director of Resources Angharad Hale, Clerk to the Corporation
FP 719 Apologies	Adrian Davis Jonathan Grice Karen Stevens

FP 720 Declaration of Members' Conflict of Interests

David Cory declared an interest as Chairman of Wyre Forest Young Enterprise.

FP 721 Minutes of meeting held on 24th June 2010

The minutes of the meeting held on 24th June 2010, having been circulated, were agreed and signed by the Chair.

FP 722 Matters Arising

i) Sickness Absence Policy

The Principal explained that the HR section's main priority at present is to review and update all contracts of employment. Once this work has been completed it will provide a framework for reviewing policies including the 'Sickness Absence Policy', which will be entitled 'Absence Management Policy.'

It was confirmed that this policy will include the Bradford scoring system but will also focus on broader issues such as training for managers and providing good quality, timely information on absences.

It was noted that a recent CIPD survey regarding absence management showed that return to work interviews with a line manager and quality of information provided to line managers were important factors in managing absence effectively.

ii) Train 2 Gain funding audit – outstanding funding amount

It was noted that the outstanding funding amount of £65K due from SFA has not yet been deposited into the college's bank account. However confirmation has been given that it will be received by the end of November.

iii) LGPS re-valuation

Following indications from Paul Oxtoby, Baker Tilly, at the last Audit Committee meeting, that the deficit could potentially double, the Chancellor has announced that future figures will be based on CPI not RPI. This has historically been a lower figure and would have a positive impact on the calculation of future pension liabilities. Derek confirmed that the deficit shown on the balance sheet does not have an immediate cash impact on the college's finances. However, at the date of the meeting, changes to employer contributions had not yet been announced following the latest Actuarial valuation. Any changes to employer contributions would have a cash impact.

iv) Signing of Ricide Contract

The Principal confirmed that the contract has now been signed by all parties.

v) Employer's National Insurance Contributions

It was confirmed that despite employee contributions rising, employer contributions will remain the same next year.

FP 723 Minutes of special meeting held on 23rd September 2010

The minutes of the meeting, having been circulated, were agreed and signed by the Chair.

Feedback was provided regarding the follow up meeting with King Sturge which Adrian Davis had attended as the designated governor. The Principal reported that it was a positive meeting and that Adrian was satisfied with the answers he received from King Sturge.

A paper produced by King Sturge was tabled providing an update on the building project. Derek Harrison confirmed that a planning application has been submitted. The college has been asked to provide a flood risk assessment by the Environment Agency. The risk assessment is near to completion and the college is working to the timescale that planning permission will be granted by January 2011.

In terms of risk management, securing planning permission within this timescale has been identified as a key risk. It has not yet been confirmed whether the college's application will need to go to the planning committee or whether planning officers have delegated authority to make the decision.

A further area of risk relates to work that is due to begin on digging the foundations during January, at a time of year where weather could cause delays. It was reiterated that the SFA grant needed to be spent by March 2011 and the project completed by September 2011.

A copy of the cash flow attached to the tabled document showed the total cost of the project as £1.095million and that costs for professional services were within budget.

Draft floor designs have been displayed in the college foyer to allow the opportunity for staff and student consultation. SMT will need to take a view on

the final design so that tender documents can be prepared by the deadline of 19th November.

It was noted that contractors meeting deadlines could pose a further risk in terms of timescales. It was confirmed that only contractors with a proven track record of completing on time and within budget were included on the list produced by Andy Higgs, King Sturge.

FP 724 Management Accounts 2009-10

i) Period 11 to 4th July 2010

Details having been circulated, no further queries were raised.

ii) Period 12 to 31st July 2010

Details having been circulated, it was noted that the figure for Employer Responsive includes the £65K outstanding funding amount from SFA relating to Train 2 Gain.

A query was raised regarding the trading subsidy for Mitie. It was confirmed that the trading subsidy for 2009-10 was within the budgeted figure. However, with student numbers down this year there has been a negative impact on trading. Derek Harrison is meeting with representatives from Mitie to review the figures and keep the situation under review.

It was noted that the decision to join the energy consortium for electricity and gas supply had resulted in a saving of approximately £60K last year.

At 31st July 2010 the solvency ratios were :-

	<u>Target</u>	<u>Actual</u>
Current Ratio	1-1.5:1	1.86 :1
Cash Days in Hand	15 days	95 days

FP 725 Summary of Financial Outturn 2009-10

Details having been circulated, it was noted that by the next meeting of the committee, the external audit will have been completed and figures confirmed.

Derek Harrison confirmed that 2009-10 had been a successful financial year which had allowed the college to make a good contribution to the building project costs. A key contributor was Train 2 Gain which generated a surplus of £454K. Aside from the Voluntary Severance Scheme, £140K surplus was generated from general college activities.

An issue has been identified regarding the outturn figure in the summer re-forecast which was significantly lower than the actual figure. Reasons for this include cautious assumptions which paid off and other factors such as the Voluntary Severance Scheme. The Principal and Director of Resources gave assurances that internal controls are in place to ensure expenditure budgets are not exceeded and the situation could not have swung in the opposite direction. SMT are looking at ways to improve the reforecasting process. RSM Tenon have also given 'substantial' assurance that controls are in place.

FP 726 Management Accounts 2010-11 (Periods 1 & 2 to 30th September)

Details were tabled and discussed. No queries were raised.

Solvency ratios were :-

	<u>Target</u>	<u>Actual</u>
Current Ratio	1-1.5:1	4.29 :1
Cash Days in Hand	15 days	131 days

FP 727 Repayment of VAT (Lennartz)

Details of the current position along with options for early repayment had been circulated. An updated cash flow statement to 31st July 2012 was tabled which included the £870K college contribution to the building project.

Due to the forthcoming rise in interest rates from 17.5% to 20% in January 2011, a decision needs to be taken regarding potential early repayment of the outstanding VAT amount of £421K. A saving of £52,260 could be achieved by early repayment but would forego any investment interest (currently 1.1%) on a reducing cash balance throughout the period to 31st January, estimated to be in the region of £11,500. This assumed no further changes to the VAT rate or level of investment interest.

A further issue has been identified by the college's VAT consultants, Davies Mayer, regarding the possible repayment of interest on the £740K VAT refund. Further work is needed to establish whether the College would need to repay £106K which represented the interest on the £740K refund dating back to 2000. The college is awaiting confirmation from HM Revenue and Customs and any decision to make an early repayment of the £421K VAT amount would be dependent on the outcome of this question.

The committee agreed to recommend option 1, early repayment of the VAT amount, subject to the issue regarding repayment of the £106K interest amount being satisfactorily resolved. Due to the tight timescales for taking the necessary actions in order to make the repayment, the date of the next Corporation meeting would not allow sufficient time to progress the issue. It was therefore agreed to e-mail the committee's recommendation, along with relevant background information, to all Corporation members with a deadline for response of 15th November 2010.

FP 728 Any Other Business

The Chair noted that the committee's remit is also to cover personnel issues & that a relatively small proportion of personnel issues appear on the agenda.

It was noted that the college's Personnel Manager left under the Voluntary Severance Scheme in July 2010 and it has been necessary for the college to allow 3 months for the possibility of an unfair dismissal claim before recruiting a permanent replacement. The college has employed a consultant for 2 days a week to cover the role in the interim period. Once a full time replacement has been recruited, there will be a number of issues to bring to the committee.

FP 729 Date of next meeting - Thursday 25th November 2010 at 5.30pm

The meeting closed at 19.20 hours

Chair _____ Date _____