

CORPORATION OF KIDDERMINSTER COLLEGE

Minutes of the Finance & Personnel Committee held on Thursday 24th June 2010 at 17.30 hours

FP 696 Present David Cory, Chair
Mick Cooper
Adrian Davis
Andy Dobson
Jonathan Grice

FP 697 Quorum 3

FP 698 In Attendance Derek Harrison, Director of Resources
Angharad Hale, Clerk to the Corporation
Judith Simpkins, Senior Finance Officer

FP 699 Apologies Mark Garnier

FP 700 Declaration of Members' Conflict of Interests

No declarations made.

FP 701 Minutes of Meeting Held on 11th March 2010

The minutes of the meeting held on 11th March 2010, having been circulated, were agreed and signed by the Chair. It was noted that the meeting scheduled for 20th May 2010 has been combined with this meeting.

FP 702 Matters Arising

i) Updating of the Property Strategy

It was noted that King Sturge have been appointed as the consultant to work with the College on updating the Property Strategy. Further to the visit of Andy Higgs from King Sturge at the Strategic Planning afternoon on 24th June 2010, it was confirmed that the detail for financial scrutiny will be brought to this Committee. Information regarding the next stages will be brought to the Corporation on 8th July 2010.

ii) Sickness Absence Policy

The Principal reported that work on updating the policy has progressed but is not yet completed. It was agreed to keep the item as an on-going matter arising in order for the Committee to be kept informed.

iii) Train 2 Gain funding audit

Derek Harrison updated the Committee regarding on-going discussions with the Skills Funding Agency (SFA). There has been an e-mail exchange implying that the SFA will not be chasing the outstanding claw back amount of £76K. It was noted that there is an invoice in place which will need to be cancelled and Derek is negotiating to ensure this is completed before the year end. Only £252K has been included in the

figures for the reforecast rather than the full £338K potential claw back figure originally withheld from last year's accounts.

iv) Telephone system

Derek Harrison reported that a replacement telephone system for the College has been purchased and will be installed by 31st July 2010. Costs for the outright purchase are included in the reforecast.

FP 703 Management Accounts 2009-10

i) Period 9 to 2nd May 2010

Details having been circulated, Judith Simpkins was in attendance to discuss the document. No further queries were raised.

ii) Period 10 to 30th May 2010

Details were tabled. It was noted that following advice from the College's VAT consultant the College is investigating with HM Revenues & Customs whether it is possible to repay the full VAT (Lennartz) amount prior to the VAT increase to 20% in January 2011.

Derek Harrison reported that the external auditors highlighted the LGPS re-valuation at the last Audit Committee meeting. There is the likelihood of a significant increase in liability, in some cases elsewhere valuations have doubled. The College's current share of the LGPS deficit is nearly £2.5 million and employer contributions are due to increase in April 2011. However, Derek confirmed that there is no immediate cash implication or impact on the College's ability to raise finances as a result of the re-valuation. The Committee agreed to continue monitoring the situation and seek advice from Mark Garnier regarding Government plans for the deficit.

It was noted that the outstanding loan of £1.8 million equates to 18% of the College's income. Derek Harrison stated his view that the College is not in a position to increase borrowing at the present time.

The solvency ratios were :-

	<u>Target</u>	<u>Actual</u>
Current Ratio	1-1.5:1	3.52 :1
Cash Days in Hand	15 days	95 days

FP 704 Financial Reforecast 2009/10

Details having been circulated the following was noted. The College budgeted for a deficit of £32K (£180K including FRS17). The latest income and expenditure projections to 31st July 2010 indicate a surplus of £245K (£56K including FRS17) and the table below summarises the anticipated position.

£000s	BUDGET	NOV 09 REFORECAST	MARCH 2010 REFORECAST	JUNE 2010 REFORECAST
INCOME	9,421	9,561	9,819	9,829
EXPENDITURE	9,601	9,865	9,919	9,773
SURPLUS/(DEFICIT) Including FRS 17	(180)	(304)	(100)	56

FRS17 ADJUSTMENT	148	189	189	189
SURPLUS/(DEFICIT) Excluding FRS 17	(32)	(115)	89	245

It was noted that the original budget deficit of £32K took into account the refurbishment of Elgar House but excluded the impact of the recruitment of a significant number of additional (unfunded) 16-18 year old full time students. The increase to a surplus of £245K will help the College's position next year and means the short term position is secure. The figures excluded the financial impact of the Voluntary Severance Scheme (VSS).

KPIs were all positive and support the view that it has been a good financial year, as shown in the table below.

Key Indicators	Approved Target	Anticipated Performance
(adjusted) Operating Position	Surplus	Surplus
Cashflow from Operations	Inflow	Inflow
Current Ratio	1.0-1.5:1	1.77
Cash Days in Hand	15+	77
Borrowing to Income	<40%	18
Borrowing to Reserves/Debt	<30%	27
Pay to Income	<68%	67

It was noted that the Ricide Contract has been re-written by Thursfields Solicitors and needs to be signed by 1st October 2010.

FP 705 Financial Forecast 2010-13

Details having been circulated, a new front page was tabled with an updated balance sheet. It was noted that there is a significant degree of uncertainty over future funding for Colleges. The Government's Comprehensive Spending Review in October 2010 may have implications that will need to be taken into account in the November 2010 reforecast.

In light of the above, the main financial objectives over the next 3 years have been altered to the following. *Maintain financial stability... whilst improving the quality of service and investing in the extension of accommodation and continued improvement in College resources.*

Decisions taken regarding the VSS will reduce the surplus this year and leave a reasonable surplus in 2010-11 with smaller surpluses for the following 2 years. The paper to be presented to the Corporation in July will include the financial impact of the VSS.

Derek Harrison discussed the Commentary section of the Forecast and noted that the College has included 95% of the indicative funding allocation for 16-18 year olds and are being prudent in terms of anticipated funding reductions. There has been a 7% real

terms reduction for Adults 19+ funding for 2010-11 and a further 5% reduction in funds is included in the Forecast in the following 2 years with no inflationary increase.

It was noted that Apprenticeships are receiving additional Government funding but this area of work is not as profitable as Train 2 Gain, which is forecast to reduce over the next 2 years. The College has assumed a 20% reduction in the contract value for next year with further reductions the following 2 years.

Derek reported that the College is reviewing its fee policy and looking for opportunities to increase fees without deterring potential students.

It was noted that the pay freeze announced by the Government for the public sector does not affect Colleges. AoC have confirmed that whilst Colleges are public bodies they are not part of the public sector. However, negotiations with trade unions may well be affected by this Government policy.

A query was raised as to whether the 1% increase to employers National Insurance contributions is still in effect from April 2011. It was agreed that this point needs to be clarified.

The rise to 20% VAT from January 2011 will affect Colleges as outlined in the non-pay budgets. Derek Harrison noted that any capital expenditure planned for 2010-11 will ideally need to be undertaken prior to January 2011.

Derek outlined the fact that in 2012-13 an efficiency saving of £170K has been budgeted for. It has not yet been determined where this saving will be made but it was noted that it equates to 3% of the payroll.

Derek also reported that 1 middle management post has been budgeted for and is needed in light of the smaller SMT.

It was noted that the impact of any capital development had not been included in the forecast and that there is not a great deal of manoeuvrability financially. However, the College has built up cash reserves over the years and it was agreed that the College would not wish to lose good staff members or fail to recruit students due to poor accommodation.

Derek noted that governors will need to determine whether any pay award is made to staff. This is not normally decided until the November reforecast and backdated until 1st August.

It was noted that H.E. provision has been reduced and that the H.E. Strategy may need to be reviewed.

FP 706 Any Other Business

None raised.

FP 707 Date of Next Meeting

Subject to the Calendar of Meetings 2010-11

The meeting closed at 19.00 hours

Chair_____Date_____