

# CORPORATION OF KIDDERMINSTER COLLEGE

## Minutes of the Finance & Personnel Committee held on Thursday 27<sup>th</sup> January 2011 at 17.30 hours

<b>FP 746 Present</b>	David Cory, Chair Mick Cooper Andy Dobson Jonathan Grice
<b>FP 747 Quorum</b>	3
<b>FP 748 In Attendance</b>	Derek Harrison, Director of Resources Angharad Hale, Clerk to the Corporation Judith Simpkins, Senior Finance Officer
<b>FP 749 Apologies</b>	Adrian Davis Karen Stevens

### **FP 750 Declaration of Members' Conflict of Interests**

The Chair noted an interest in item FP 754, as he has a relative employed by a subsidiary arm of ISG building firm.

### **FP 751 Minutes of Meeting Held on 25<sup>th</sup> November 2010**

The minutes of the meeting held on 25<sup>th</sup> November 2010, having been circulated, were agreed and signed by the Chair.

### **FP 752 Matters Arising**

#### *i) Lennartz VAT*

Details had been circulated from Davis Mayer, the college's VAT consultant, providing the background to Lennartz Accounting and an update on the current position.

Following previous decisions regarding early repayment, the college has instructed Davis Mayer to complete the necessary paperwork to progress the college's application. HM Revenue & Customs have extended the deadline for early repayments until June 2011. This will allow the college to repay the full VAT amount of £421K and avoid the impact of the VAT increase to 20% from January 2011. It was confirmed that any additional repayments made in the meantime will be adjusted in the final repayment.

#### *ii) Learner Support Funds Appeal Panel*

The Principal confirmed that the recommendation made by the committee at the last meeting has been amended in the Policy & Procedures. The Senior Manager involved in the original decision will not sit on the Appeals Panel.

#### *iii) Recruitment of HR Manager*

It was confirmed that the process has started with an advert, person specification and role description due to appear on the website of 'People Management', a specialist HR website, during February. The intention is to appoint someone to the post by Easter. In the meantime the interim HR

Manager is doing an excellent job and will be involved in the selection process. Mick Cooper will also be involved in the process.

### **FP 753 Management Accounts 2010/11**

#### ***j) Period 4 to 28<sup>th</sup> November***

Details having been circulated, the accounts were noted.

#### ***ii) Period 5 to 2<sup>nd</sup> January***

Details were tabled. It was noted that cashflow has dropped slightly but overall there are no problems. The Chair noted that the figures confirm that funds are available for the commitment to repay the VAT amount and undertake the building project. No queries were raised.

The solvency ratios were :-

	<u>Target</u>	<u>Actual</u>
Current Ratio	1-1.5:1	3.83 :1
Cash Days in Hand	15 days	140 days

### **FP 754 Building Project Update**

Details were tabled and the following was noted :

Wyre Forest District Council had yet to confirm planning permission. The college anticipated a favourable outcome within a matter of days as the statutory consultation period had expired and no objections had been lodged.

Wyre Forest District Council had confirmed the cost of hiring a section of the adjacent car park as £6K, the figure that the college had budgeted.

The internal auditors had completed their review of the internal controls in place to manage the building project and were able to provide positive assurance to governors.

Further discussions had taken place with King Sturge regarding the figures in the tender document. A pricing summary was attached, confirming the revised total construction cost as £747,162.81, a reduction from the original tender of £771,470.81 provided by ISG Regions.

Following analysis, King Sturge have stated that the contract sum will need to be £747K to deliver the project, an additional cost of £22K from the construction budget of £725K. It is proposed to fund the difference from the £50K contingency within the original budget of £1,095 million. This would mean that the general contingency going forward would be £28K. It was noted that this is not related to the potential additional £50K approved by the Corporation.

An appendix was attached providing a breakdown of the 3 tenders received. It was queried why there was such a huge variance in the figure quoted by ISG Regions for piling, ie significantly lower. It was noted that the combined figures for piling, substructure and concrete structure do not show such a

variance and that King Sturge have scrutinised all tenders to ensure they include all necessary elements.

It was noted that the costs for flooring are comparatively low in the ISG tender. This was not felt to be cause for concern.

A query was raised relating to the inclusion of photovoltaics within the pricing summary and whether this included solar panels. It was agreed to check this point as clearly the best time to install would be during construction.

It was noted that further tests are being carried out in the service yard by ISG to further reduce any risks and that the college is satisfied that costs are not being underestimated by ISG Regions.

It was agreed to appoint ISG Regions to carry out the construction at the figure of £747K, proposed by Jonathan Grice and unanimously agreed.

### **FP 755 Catering Service**

Details were tabled providing background information regarding the catering service and the current position.

The college had agreed an increased trading subsidy of £18K for this year, along with a reduced Mitie management fee. Following a recent meeting between the Director of Resources and management of Mitie, projections for the year indicated a deficit in the region of £29K rather than £18K. However, it was felt that the projected figure may be too pessimistic an assumption. Figures for December had been better than budget.

It was noted that the local catering manager is off on long term sick pay and that this is an on-going risk to the subsidy increasing.

The Estates Manager is working with Mitie in an attempt to improve financial performance and will continue to closely monitor figures on a monthly basis.

A discussion took place regarding the 3 options reviewed by SMT and outlined in the document. A key factor in discussion was that following the new build, additional student space will be located next to the current catering outlet which may lead to increased usage.

Option 1, to terminate the current contract at the end of the financial year, was not felt to be viable. It was agreed that paying costs associated with early termination of the contract would not be sensible at a time when steps were being taken which may rectify the situation; i.e. the creation of additional student space next to the catering outlet. It was also noted that removing the service may create issues with 14-16 year olds and meeting learner needs.

Option 2, to reduce the catering outlets, was ruled out. It was confirmed that the biggest margins are from food and drink purchased at the outlet on the first floor and that the shop on the ground floor operates a profitable service, particularly during the evening when there is less local competition.

Option 3 was favoured by SMT, i.e. to accept the possibility of an increased trading subsidy for the remainder of the contract but to work with Mitie to reduce the subsidy and hope the additional student space will maximise sales. The committee agreed to support this option.

**FP 756 Any Other Business**

A query was raised regarding governors no longer receiving the college newsletter, which the former Principal's PA used to circulate. It was explained that there had been changes in the format of the newsletter to make it a more basic weekly update for staff and there are plans to produce a longer half termly newsletter. In the meantime, it was agreed that the Principal's PA could set up an e-mail to governors allowing them to access the newsletter.

**FP 757 Date of Next Meeting**

Thursday 10<sup>th</sup> March 2011 at 17.30pm.

The meeting closed at 18.20 hours

Chair\_\_\_\_\_Date\_\_\_\_\_