

**BRIGHTON HOVE AND SUSSEX SIXTH FORM COLLEGE**

**MINUTES OF THE MEETING OF THE FINANCE & GENERAL PURPOSES  
COMMITTEE HELD ON WEDNESDAY 24<sup>th</sup> JUNE 2009  
IN THE SPORTS CENTRE CAFÉ**

Present: Kate Blenkinsop, Peter Freeman, Howard Kidd (Chair) Chris Thomson, Sam Wolfe.

In Attendance: Anne Fielding Smith, Jutta Knapp, Louise Pennington, Sam Rowe and Matt Ward (Student Governors).

The Meeting was quorate.

**F&GP09/13 Apologies and Welcomes**

Apologies were received from Nigel Fisher and Chris Wellings. The Committee were advised that Chris Thomson would be arriving late owing to a commitment in the Midlands, earlier in the day.

The meeting was quorate.

**F&GP09/14 Minutes**

**a) Minutes of the Finance & General Purposes Committee held on 3<sup>rd</sup> MARCH 2009**

The minutes were approved and signed by the Chair as a correct record.

**b) Premises Group Minutes**

**31<sup>st</sup> March 2009**

**21<sup>st</sup> May 2009**

The contents of the minutes were noted.

**F&GP09/15 Matters Arising**

F&GP09/03 (and 08/30) Key Financial Indicators – Howard Kidd advised that work was underway with the added benefit of input from a third party. It is intended to provide an update to Governors at the next meeting.

F&GP09/06 f) it was agreed that there was no requirement for further cost analysis work to be completed on the various Capital Project at this stage.

F&GP09/10 Acceptable Use of Computers Policy – JHK confirmed that she had checked the accuracy in respect of the various legal acts given on page 66 of the policy and they were all up to date references.

## **F&GP09/16 Declaration of Interest**

There were no declarations of interest.

## **F&GP09/17 Review of Financial Targets**

JHK presented the paper to the Committee, the contents of which were noted and the following points recorded (at this point Katherine Blenkinsop joined the meeting):

- a) The PFA (Provider Financial Assurance) Audit team of the LSC recommended in the Autumn Term 2007 that the College should review its financial targets on a regular basis.
- b) The current 7 targets (given on page 7) and the proposed targets going forward (page 9) were considered by the Committee. A discussion was held and it was resolved that the following 6 financial targets should be adopted: Operating surplus as % of income; staff costs as % of income; cash generated from operations as % of income; current ratio; cash days in hand; general reserves as % of income. The operating surplus as a % of income indicator, was deemed to be more meaningful by the Committee than the historic cost surplus indicator used currently. For 2009/2010 it was proposed that BHASVIC's target for operating surplus as % of income would be 0.5%, equating to approximately £45,000. Furthermore it was recommended that the target to aim for in respect of 2011/2012 should be increased to 2%. The staff costs as % of income for 2007/2008 of 76% was acknowledged to be too high and by aiming to increase the operating surplus % by 2011/2012, this should have the effect of reducing the staff cost %. The staff costs % for 2009/2010 budget is 72%. **ACTION: JHK**
- c) In addition to the 6 proposed financial targets noted in b) above, the Committee also considered a 7<sup>th</sup> target, namely, Planned Maintenance (see page 28 of the papers, Appendix 1 of the Financial Forecast), but noted that although useful, this was not a target benchmarked by the LSC.
- d) Consideration was also given to using a borrowing indicator as % of income, noting that the 2007 PFA Audit report recommended that a target be set to compare total borrowing with the general reserve. The Committee resolved to include this indicator and that JHK should include a target for BHASVIC. **ACTION: JHK**
- e) The financial targets, once approved by Corporation, would be incorporated into the Strategic Plan for 2009-2012.

The 7 targets as detailed above were recommended to Corporation for approval, which also noted that the financial objectives would remain unchanged. **ACTION: JHK/LEP**

## **F&GP09/18 Results for the First Nine Months**

JHK presented the paper to the Committee which was noted.

### **Income and Expenditure A/C**

- a) Referring to the Predicted Outturn 2008/2009 - £1.5M consultants fees in respect of the Capital Project have been written off through the I & E Account.
- b) I & E a/c budgeted deficit is (£133,000) for 2008/2009.
- c) Historical cost surplus/(deficit) for the year - the figures show that the College has performed better than budgeted, excluding the impact of the property costs write off.

## Variations

- d) Variations (main variations between forecast historical cost surplus outturn and budget) are detailed on page 17 of the papers and include the net costs of the property strategy i.e. (£1.5M consultants' fees).
- e) JHK confirmed that the language centre income (temporary manager for this year, following departure of permanent manager) and lettings income (fewer examination lettings requested) had reduced and that the language centre income would be closely monitored for next year.

## Balance Sheet

- f) It has been assumed that with effect from July 2009, the overdraft will be converted to a £1M long term loan, over 20 years. As a result of writing off the property costs the College will be in breach of the bank covenants (as the Colleges reserves will fall below £750,000 required and the College will also be in deficit). In an extreme situation the bank would be entitled to demand that the loan be re-paid, but JHK is in discussions with the bank regarding whether they would be prepared to amend or waiver the relevant covenant. JHK advised that the bank would probably agree with the latter, bearing in mind the uncertainty in the FE sector for one year and then review the terms for the following year. There is also the possibility that the College will be required to re-negotiate the loan which would undoubtedly be more detrimental than the current terms imposed.

The Committee recommended the management accounts to the Corporation for approval.

**ACTION: JHK/LEP**

## **F&GP09/19 Budget 2009-2010**

The budget for 2009/2010 was presented to the Committee by JHK who explained that an operating surplus of approximately 0.4% was being proposed, being £35,000. The Committee reviewed the management summary, current year outturn, key elements and risks, given in the report. It was noted that the staff cost ratio as percentage of income had reduced compared to previous years, to 73%. Owing to budgetary pressures, JHK advised that the IT budget had been reduced significantly on that initially projected. As a result of this, the College was investigating leasing options in order to maximise IT equipment options.

Within the budget, allowance has been given for 4 new temporary portacabins, which will be needed for 2010, based on projected student numbers and the proposed development of the guidance system. (refer page 23 of the budget paper, item "Premises running costs", £235,000 of the £620,000 budgeted relates to the rental of additional portacabins). The intention is to remove the existing 4 portacabins and replace with 8 new double decker portacabins. Planning permission is being sought in respect of the new and renewal of the existing portacabins.

The increased budgetary allocation for "Premises maintenance", being £135,000 for 209/2010 compared to £67,000 for 2008/2009, was noted and has been based on the fact that the Capital Project is unlikely to proceed and that certain urgent maintenance work is necessary in various places on site.

Salary inflation of 2.3% has been allowed based on the current indications from the Sixth Form Colleges' Forum, nationally, although negotiations have not yet been finalised and this may be reduced. The Human Resources Committee recommended at its meeting last

night, that the national agreed staff pay rise, should be followed, subject to budgetary constraints. Any reduction in the final percentage rise, would be re-allocated in the budget to IT requirements.

JHK agreed to bring an indication of the cost per annum to the College to service loan arrangements required as a result of the Capital Project. **ACTION: JHK**

The Committee resolved to recommend the Budget for 2009/2010 to the Corporation for approval. **ACTION: JHK/LEP**

### **F&GP09/20 3 Year Financial Forecast 2009-2012**

JHK presented the Financial Forecast to the Committee and the following points were recorded:

- a) Page 28 Appendix 1 Details on Financial Targets – following the discussions under item F&GP09/17 above, the last two targets listed, would be removed.
- b) Difficulty in forecasting was noted in the light of the continued uncertainty regarding the Capital Project and as a result of this, the assumptions made in producing the forecast, take account of this uncertainty – refer page 26 of the papers. The LSC funding indications have also been adjusted to include the required 1% efficiency saving in 2011.
- c) The financial forecast is required to be completed by the LSC and it is not known what changes will be imposed, when the LSC ceases to be responsible for the FE Sector in 2010.
- d) JHK along with other FE College Finance Directors, met with the LSC earlier today and discussed the difficulties with forecasting and in particular the calculation of the financial health grade. The LSC advised Colleges to include the actual grades determined automatically within the document (Schedule 4), rather than moderating the health grades to reflect a more favourable position within the Principal's Statement (Cover sheet for return of financial Plan). In this instance years 2011 and 2012 give an "inadequate grade", compared to "satisfactory" for 2009 and 2010. The Committee discussed the issues surrounding financial health grading and on balance it was agreed that the "inadequate" grading for 2011 and 2012, should be used, noting that this had resulted owing to the problems and uncertainties caused by the LSC's Capital Project Programme. JHK confirmed that the financial forecast figures had been given to the banks to keep them up to date with the situation and they are aware of the nationwide problem with the LSC's Capital Programme. However, the banks will expect the College to be cautious in its budget setting for 2010/2011.
- e) Page 17 Table 1 I & E Account – line 18 Surplus/(deficit) on continuing operations after depreciation of assets at valuation and tax – entries for 2011 and 2012 demonstrate the need for more significant planned maintenance, assuming the Capital Project does not proceed. A discussion was held regarding the estimated planned maintenance costs and it was agreed that £200,000 over three years, was a realistic assessment. Furthermore, the LSC's guideline assumptions for non-pay costs, such as assuming 1% uplift re utilities, were acknowledged as not being realistic.

The Committee resolved to recommend the three year financial forecast for 2009/2012 to the Corporation for approval. **ACTION: JHK/LEP**

### **F&GP09/21 Capital Project Update**

The Capital Project update paper was noted by the Committee.

The revised facility letter from Barclays Bank in respect of the 12 month £1.5M revolving credit facility, was considered by the Committee, together with the alternative quote from Lloyds Bank, noting that Barclays provided the more favourable terms.

It was resolved to recommend to Corporation that the revised facility letter be approved as detailed on the example resolution given on page 79 of the papers (page 10 of 11 of the document) – copy attached. **ACTION: JHK/LEP**

### **F&GP09/22 Health and Safety Update**

The contents of the report were noted by the Committee.

With regard to Swine Flue, JHK reported that the College had experienced its first link case – a student's sister has swine flu.

It was also noted that a case of measles had been recorded within the student population and all students and their parents had been advised.

### **F&GP09/23 Summer Estates Work**

Jutta Knapp presented the paper and summarised the main works required. The Committee resolved to recommend to Corporation that the proposed works be approved.

**ACTION: JHK/LEP**

### **F&GP09/24 Business Procedures**

At this point CT joined the meeting.

The main changes within the document were noted by the Committee as given in italics.

Regarding clause 18 Student Union, the Committee noted that the SU Constitution was still under review and that this would be brought to Q & C Committee next term. A discussion was held regarding the production of SU accounts and notwithstanding that the wording is included in the Instrument and Articles, it was resolved that subject to the Chair of Audit Committee's (Dominic Blythe) agreement, the last sentence of the first paragraph of clause 18, did not need to be included here and should be deleted "Accounts will be presented to the Corporation annually". **ACTION: LEP/JHK**

Referring to Clause 47 Fraud and Irregularity, it was also resolved that subject to Dominic Blythe's agreement (Chair of Audit Committee) that a standing agenda item regarding fraud, should be included on all Audit Committee agendas with immediate effect. **ACTION: LEP**

### **F&G)09/25 Committee Self-Assessment**

The Committee reviewed its performance over the last academic year and had the following comments to make, in response to the questions listed on the self-assessment

form:

- It was thought that the committee members were sufficient and that the right balance of skills and experience were very good.
- No group training needs were recommended at this stage, but see below. It was also noted that in recent years, Dominic Blythe had given a general financial training session to the F & GP Committee, which had been very useful. It was also recorded that unfamiliar terminology is clarified during consideration of papers by the Committee.
- A good level of information is provided to Committee members and also onward to Corporation, so that well-informed decisions may be made.
- The number of Committee meetings is appropriate, and as has been the case in the past, when additional meetings are needed, these have been quickly arranged and well-attended.
- The significant levels of work completed by the Premises Group which reports to Corporation via F & GP Committee, were noted with thanks.

Regarding training, following a suggestion from Sam Wolfe, JHK agreed to meet with the two new Student Governors and provide a general training session on finance, including the principles of accountancy. **ACTION: JHK**

The Committee reviewed its current terms of reference and subject to any further suggestions from Howard Kidd after the meeting, it was resolved to recommend that these be approved, unchanged. **ACTION: LEP/HK**

#### **F&GP09/26 Any Other Business**

There was no other business.

#### **F&GP09/27 Date of Next Meeting**

**Monday 23<sup>rd</sup> November 2009 at 6.00 p.m. in the Sports Centre Cafe**

**Louise Pennington  
Clerk to the Corporation**

**CHAIR..... DATE.....**