

THE FURTHER EDUCATION CORPORATION OF MIDDLESBROUGH COLLEGE

FINANCE, ASSETS & GENERAL PURPOSES COMMITTEE

Minutes of the Finance, Assets & General Purposes Committee held on
Thursday 7 July 2011 at 2.00 pm in the Board Room

Present	Mr B H Whitfield	Chairman	College Governor
	Mr R Brady		College Governor
	Mrs M Britton		College Governor
	Mr A Hanif		College Governor
	Mr M Hopkins		Principal / Chief Executive
	Miss A McLaren		College Governor
	Mr G Rogers	Staff Governor	(Business Support)
	Mr D Whitaker		College Governor

Officers	Mr R Atkinson	Assistant Principal - Marketing, Communication, Registry, and Admissions (Clerk to the Corporation)
	Ms M Bulman	Assistant Principal - Finance
	Mrs Z Lewis	Deputy Principal - Corporate Services

11/011 **ITEM 1 APOLOGIES**

Mrs A V Haskins College Governor

11/012 **ITEM 2 MINUTES – 15 MARCH 2011**

These were approved as a true record and duly signed by the Chairman once a date change had been made under agenda item 4.2 (*should be 2010 / 2011 and not 2009 / 2010*).

11/013 **ITEM 3 MATTERS ARISING**

None.

11/014 **ITEM 4 BUDGET MATTERS 2010 / 2011**

4.1 Management Accounts (March 2011)

As the May 2011 management accounts were due to be considered under agenda item 4.2, the March 2011 management accounts were considered and received for information.

4.2 Management Accounts (May 2011)

The Assistant Principal - Finance presented the May 2011 management accounts and it was noted that the College is forecasting to outturn an overall operating deficit of £32,000 against a budgeted operating surplus of £640,000 for the year to 31 July 2011.

This figure includes over £1 million of exceptional items due to the Voluntary Severance Scheme, SMT restructure, FRS17 pension provision, Staff Reward Vouchers but is also offset by a £100,000 credit in respect of some disposals of land and assets.

To the end of May 2011, there is an operating surplus of £725,000 against a budgeted surplus of £846,000 excluding non core operating activities and the exceptional items detailed above.

The management accounts referred to a number of variances including income, payroll and non pay costs, which were summarised on pages 2 to 9 and were discussed and noted by the Finance, Assets & General Purposes Committee.

Other areas discussed included the impact and success of the Voluntary Severance Scheme in 2010 / 2011 and the rationale for the enhanced Marketing Campaign to try and increase the College's market share in a declining market.

Cash balances are forecasted to be £6.5 million by the end of the year.

The May 2011 management accounts were considered and received.

4.3 Recruitment & Progress against Target 2010 / 2011

The Recruitment & Progress against Target 2010 / 2011 Report as at the 22 June 2011 was considered and received for information with the Finance, Assets & General Purposes Committee noting the financial risks on page 5 of the report. Some discussion centred on the growth in Apprenticeships in 2010 / 2011 and the anticipated growth in 2011 / 2012.

4.4 European Social Fund (ESF) and Other European Funded Projects

The Assistant Principal - Finance presented the Schedule of European Social Fund and Other European Funding Report, which highlighted that there have been three co-financed contracts during the Academic Year 2010 / 2011:

- 1) Delivery of Enhanced Train to Gain Programmes.
- 2) Unemployed Project.
- 3) Care First Careers.

All three of these projects ended on 31 March 2011 and the final details in respect of achievement against profiled targets were noted with many undershooting their target, mainly due to reliance on referrals from the Job Centre, which were not forthcoming in the volumes anticipated.

After discussion on the outcome of all three projects and the future reporting arrangements, it was **agreed** that:

- Projects co-funded by ESF would in future only be reported through the Recruitment and Progress Against Target Report, which is received at each meeting.
- Any direct ESF contracts that the College enters into would continue to have their own up-date reports.

The report was considered and received.

4.5 Financial Controls - General Ledger and Asset Management (06.2010/11)

The Assistant Principal - Finance presented the Financial Controls - General Ledger and Asset Management Internal Audit Report (06.2010/11) and informed the Finance, Assets & General Purposes Committee that the internal audit had been awarded **substantial** assurance with only one low recommendation.

It was noted that the Audit Committee had debated this internal audit report at its meeting on the 14 June 2011 and received an explanation as to how the College is addressing the recommendation.

The report was considered and received.

11/015 **ITEM 5 CONTRACTS UP-DATE**

The Assistant Principal - Finance presented an up-date in relation to the progress being made with the Procurement Team, notably on areas such as cleaning services, vending machines, collaborative procurement, exams, utility costs and future plans.

The Finance, Assets & General Purposes Committee then debated the outcome of the Cleaning Contract, as detailed in Appendix 1 of the report. Following feedback on the evaluation process from the Staff Governor (Business Support) and Assistant Principal - Finance and the potential costs savings over the three year period, it was **agreed** that:

- KGB Cleaning & Support Services is awarded the Cleaning Services Contract for the contract sum of £767,587 (*excluding VAT*) for the three year period 1 August 2011 to 31 July 2014.

It was reported that the Finance, Assets & General Purposes Committee has delegated powers to approve this contract as part of its Terms of Reference. This contract award would also be discussed and endorsed by the Governing Body on the 11 July 2011.

11/016 **ITEM 6 DEVELOPMENTS / INVESTMENTS UPDATE**

The Deputy Principal - Corporate Services and Principal / Chief Executive verbally up-dated the Finance, Assets & General Purposes Committee on the progress being made with regards to a number of investment options including the sale of Acklam, discussions with local training companies as well as progress with regards to the development of the Sixth Form Centre.

In relation to Acklam, the Deputy Principal - Corporate Services reported on the lack of progress being made to complete the sale of Acklam Hall. The Deputy Principal - Corporate Services then explained that the current contractual position is conditional upon satisfactory planning permission being achieved and whilst English Heritage has concerns about the development the sale will not be forthcoming.

The College has raised concerns over the management of the process but has been assured by Middlesbrough Council that everything possible is being done to come to agreement between the Council, the developer and English Heritage. Meanwhile, the College has received a letter stating that the building has recently been placed on the 'registered buildings at risk' register by English Heritage.

Furthermore, the College insurers are becoming increasingly concerned that the building is at great risk and although they have received details of the 24 hour security and alarm system in place, they remain concerned and are currently reviewing their policy cover and premium. The College assured the Finance, Assets & General Purposes Committee that they will continue to push for a resolution to this matter with the Council.

In relation to the Sixth Form Centre, the Skills Funding Agency has queried a number of issues within the Business Case in respect of the financial and property aspects, all of which would be addressed over the next week by the Deputy Principal - Corporate Services. It is anticipated that the Skills Funding Agency approval will be ascertained towards the end of July 2011.

Some delays to the appointment of contractors are expected due to the late publication of the OJEU notice but the impact cannot be measured until the build programme is agreed.

11/017 **ITEM 7 Ten Year Financial Plan**
(including Revenue and Capital Budgets for 2011 / 2012)

The Deputy Principal - Corporate Services presented the Ten Year Financial Plan and shared with the Finance, Assets & General Purposes a number of issues, which were debated in depth, including:

- Executive Summary.
- The External Environment
- Current College Financial Position.
- College Strategic Plan.
- Capital investment Considerations.
- Financial Plans 2011 – 2021.
- Ten Year Financial Plan Assumptions.
- Cashflow.
- Risks.
- Sensitivity Analysis.
- Financial Health.

A number of appendices were discussed, including;

- Appendix A - Revenue Budget for 2011 / 2012.
- Appendix B - Capital Budget for 2011 / 2012.
- Appendix C - Ten Year Financial Plan.

Appendix A was tabled by the Assistant Principal - Finance.

There followed some discussion on the document including why the College's Financial Health has been amended, which is due to the change in how the formula is calculated by the Skills Funding Agency. The outcome of this change means that the College will fall to Good but then improve to outstanding, without going to satisfactory, as previously reported to the Governing Body.

After some discussion, it was **agreed to recommend** that:

- the Ten Year Financial Plan 2011 / 2021 be approved.
- the 2011 / 2012 Revenue Budget be approved as a £392,753 operating surplus (£4,358 historic cost surplus).
- the 2011 / 2012 Capital Budget be approved at £1,500,010.

Note

The Ten Year Financial Plan has already been circulated to the Governing Body prior to its meeting on the 11 July 2011, as the unconfirmed minutes of the Finance, Assets & General Purposes Committee would not be available for this meeting.

11/018 **ITEM 8 HEALTH & SAFETY**

8.1 Health & Safety Periodic Report 2010 & 2011

The Health & Safety Periodic Report for 2010 / 2011 was considered and received for information with the Finance, Assts & General Purposes Committee noting the concerns of pedestrian safety along Dock Street, which is being addressed with Middlesbrough Council.

8.2 Health & Safety Committee Minutes

(18 March 2011)

(15 June 2011)

The Health & Safety Committee minutes of the 18 March & 15 June 2011 were received for information with no issues raised.

8.3 Health, Safety & Welfare Policy 2011 & 2012

The Deputy Principal - Corporate Services presented the revised Health, Safety & Welfare Policy following changes in the College Leadership Team and a change of responsibilities.

After discussion, it was **agreed to recommend** that:

- the Governing Body approves the Health, Safety & Welfare Policy at its meeting on the 11 July 2011.

Note

The Health, Safety & Welfare Policy 2011 & 2012 has already been circulated to the Governing Body, as a separate document, prior to its meeting on the 11 July 2011, as the unconfirmed minutes of the Finance, Assets & General Purposes Committee would not be available.

11/019 ITEM 9 PROPOSED DATES & TIMES FOR 2011 / 2012

The Assistant Principal - Marketing, Communication, Registry and Admissions & Clerk to the Corporation presented the proposed dates and times for the 2011 / 2012 Academic Year taking into account the schedule of business planned for the forthcoming year.

After some discussion on dates and times, it was **agreed** that:

- the Assistant Principal - Marketing, Communication, Registry and Admissions & Clerk to the Corporation would propose the following three dates and times to the Governing Body at its meeting on the 11 July 2011 under the formal heading of "*Calendar of Meetings 2011 / 2012*".

Date	Time
Thursday 8 December 2011	2.00 pm
Tuesday 6 March 2012	2.00 pm
Thursday 5 July 2012	2.00 pm

11/020 **ITEM 10 DATE OF NEXT MEETING**

The next meeting of the Finance, Assets & General Purposes Committee will be determined by the Governing Body at its meeting on the 11 July 2011 and will be circulated to members shortly afterwards.

11/021 **ITEM 11 ANY OTHER URGENT BUSINESS**

The Deputy Principal - Corporate Services verbally reported on some VAT issues that have arisen following the appointment of two advisors (KPMG and Deloitte as previously reported) working on the College's behalf to secure VAT savings using two separate methods.

The College has currently provided in the financial accounts to repay VAT under the Lennartz Principle back to the HMRC over the remainder of the ten years at the higher 20% rate but is working with KPMG to seek HMRC agreement to either

- i) repay at the original 17.5% or
- ii) unwind Lennartz and secure a financial saving.

Deloitte's have only recently suggested that this may conflict with a claim that they have made on the College's behalf to secure the entire build VAT at a zero rate under the Wakefield case, as previously reported. Deloitte's have also implied that the College could be at risk of a potential penalty due to the nature of KPMG's claim.

It was also reported that the HMRC has asked the College to select to either:

- i) repay the remaining VAT at 20% or
- ii) repay the full amount now, including an ex gratia payment for any VAT that falls 'out of time'.

KPMG has advised the College that it should not to reply to this letter whilst it pursues its argument on the College's behalf.

After detailed discussion on a way forward, it was **agreed** that:

- the College awaits an outstanding reply from HMRC in respect of the latest correspondence from KPMG.
- the College seeks the position of both advisors in writing before making a decision.

It was also **agreed** that:

- Mr David Whitaker would participate in discussions with the College's VAT Advisors (Deloitte & KPMG), to review the correspondence above, and to work with the College to agree an appropriate recommendation, taking all the risks and options into account, before being reported back to the Finance, Assets & General Purposes Committee and / or Governing Body in the Autumn Term.

The Finance, Assets & General Purposes Committee would be kept abreast of developments, as there may be a need to call a Special Meeting of the Finance, Assets & General Purposes Committee and / or Governing Body to approve any resolutions.

The meeting closed at 3.35 pm.

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Committee Circulation

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Mrs M Britton	College Governor
Mr A Hanif	College Governor
Mrs A V Haskins	College Governor
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