



# **SOUTHGATE COLLEGE GOVERNING CORPORATION**

## **Finance and Staffing Committee**

### **Minutes of the meeting of 2<sup>nd</sup> April 2009**

#### **Attendance**

##### Members

Ann Zinkin (Chairman)  
David Byrne (Principal)  
Paul Camp  
Ron Lis

##### In attendance

Shah Alam (Director of Finance)  
Angélique Gainza (Vice Principal Curriculum)  
Lizzie Garn (Head of Service Transformation)  
David Chaplin (Chaplin Frobisher Welling, Clerks to the Corporation)

#### **1. Minutes of the meeting of 12<sup>th</sup> February 2009**

*Received: minutes of the Meeting held on 12<sup>th</sup> February 2009.*

The minutes were confirmed as true and accurate record and signed by the Chairman.

#### **2. Matters arising**

Nursery review (para 6) see minute 11 below.

#### **3. Apologies for absence**

Apologies were received from Nigel Levey who had a broken shoulder and from Andrew Nicholas.

#### **4. Declaration of Governor interest**

No declarations had been notified.

#### **5. Notification of any other urgent business**

There was no other business notified.

**6. Management accounts for the period ending 28<sup>th</sup> February 2009**

*Received: the management accounts for the period ending 28<sup>th</sup> February 2009, including the balance sheet at that date and cash flow forecast to January 2010.*

The Committee reviewed the accounts and noted:

- Overall financial performance, the operating deficit for the year to date was £328K (December - £189K) worse than original budget, chiefly due to slower than profiled payments, but also below budgeted income in respect of non-LSC income streams.
- Income for the year to date was £192K (2%) below original budget, (£853 below the February 2008 figure) with LEA contracts (i.e. Young College), Work Based Learning and LSC main allocation all worse than budget.
- Pay costs were £66K higher (0.9%) than budget.
- Non-pay costs were £41K (2%) above target due to IT and ICT departments earlier overspends.

All performance indicators – year-to-date- compared well with LSC recommended range (shown in brackets) except in respect of pay costs

Cash days in hand	20.5	(5- 30)
Current ratio	0.9	(0 – 2.5)
Pay Costs as % of turnover	92.6	(65 – 72)
General reserve as % of t’over	11.2	(5-10)

The increased % for pay costs arose because activity and funding were below budget, but there had been no comparable reduction in staffing.

The Director of Finance agreed with the Chairman that these were again disappointing figures; he did not expect to see an upturn until April, but the published year end out-turn estimate was still for a substantial surplus (£432K), although the Principal was of the view that a number of adverse factors could reduce that to no better than break-even.

Members reviewed in detail two issues – overall pay expenditure, and IT Department overspend. (the Nursery deficit was a separate agenda item – see item 10 below).

It was accepted that the very high ratio of pay expenditure in the last month and the year to date ratio of pay spend to income at 72.7% had been due to the very low level of income from LSC because of their profiling changes; it would level down after April when payments increased, but the original all year budget ratio of .69 (i.e. 69%) was much higher than best levels in the FE sector.

Further investigation of the overspend in the IT department had been discussed by the Principal with the Committee Chairman, and as a result a forensic audit had been commissioned from BDO Stoy Hayward. If there was suspicion of Fraud this would be reported to the Audit Committee and College auditors in accordance with the College’s Financial regulations.

The Chairman drew attention to the small positive margin shown in the 12 month cash flow forecast. Ron Lis was of the view that the present overdraft facility was probably of little worth in the current climate, and suggested that the Committee recommend that a committed loan facility be negotiated; to do this before the situation deteriorated would be easier than waiting until the situation had actually worsened.

Governors also noted that the accounts also included a predicted outturn for 2008/09.

These were the last set of accounts that would be presented by Shah Alam, and he was warmly thanked by the Committee for his careful stewardship of the Colleges finances over a period of ten years.

**7. Proposed Tuition Fees 2009/10**

*Received: Management proposals for the fee framework for 2009/10.*

Whilst the Committee were concerned at the potential impact of increased fee levels on recruitment, it was recognised that fee increases were LSC policy; they would therefore be recommended to the Governing Body for endorsement.

It was noted that the previous policy of keeping full-time overseas fees at a level below that of similar colleges, had produced little evidence that this had helped recruitment. The drop in value of the Pound sterling meant that in effect the new fees were cheaper to foreign students than those set in the previous year. The part time rate of £ 10.00 per hour was heavily discounted from the full-time rate, as these students were based in the UK.

**8. Review of HR department structure**

*Received: proposals for consultation on revised HR operational priorities and restructuring of the HR department.*

The Committee welcomed the refocusing of the work of the department, and agreed that the proposals were an excellent basis for consultation with staff. It was hoped that any reduction of posts could be dealt with by re-deployment or voluntary redundancy. Paul Camp was concerned that a slimmed down section might not be capable of dealing with the fairly radical changes in College organisation that might be required when the management review had been completed. The Chairman explained that this was the reason for the urgent investigation into collaborative working with other agencies such as the L.B. of Enfield or even other Colleges.

**9. Update on changing LSC funding policies**

*Received: the Principals assessment of shifts in LSC funding policy; letter from the LSC Regional Director announcing the collapse of the LSC Building programme.*

David Byrne reported the wide-spread view that the FE College sector was in crisis, with confidence in the LSC at a very low level amongst College managers and Governors.

Collapse of the Capital programme was of immediate concern, with a real risk that colleges (including Southgate College) would have to take expenditure on aborted building schemes (over £1M before LSC reclaim at Southgate) as a charge to current year profit and loss account, resulting in deficits.

There were also growing concerns over the ability of the LSC to fund “core-funded” programmes at expected levels, and even question marks about the continued expansion of the flagship Train to Gain programme.

2009/10 promised to be an exceptionally difficult year for the sector.

**10. Nursery review**

*Received: a comprehensive analysis of current College Nursery utilisation, income and costs*

*and details of alternative local provision.*

The Committee expressed their appreciation of the comprehensive report produced by the Head of Service Transformation.

It was agreed that further investigation of collaborative working with other providers be pursued, and that a report be brought to the next meeting with a recommendation for closure that included details of these alternative arrangements and of closure costs. One alternative way to eliminate the year-on-year deficits would be to increase charges to market rates.

**11. Update on “achievement of Funding” performance as at 16<sup>th</sup> March 2009**

*Received: ILR printout of learner responsive funding achievement.*

David Byrne reported much improved (and more reliable) figures. Although 16-19 numbers were 63 below target, with little prospect of significant change, the 19+ numbers were only 500 below all year target, with further recruitment expected, and overall the funding “earned” was on target. The situation was kept under constant review by the SMT.

**12. Proposed Merger of Enfield College with North East London College**

*Received: letter from the LSC London Region Partnership Director replying to some of the points contained in the Southgate College response to the merger proposal.*

The Committee noted the letter which did nothing to allay the College’s concerns about growth and related financial matters across north London. It did, however, confirm – on paper at least – that the proposed merger would not offer the new college additional priorities that would disadvantage other colleges.

**13. Project update meetings**

*Received: notes of Design Group meetings held on 10<sup>th</sup> and 24<sup>th</sup> February and 10<sup>th</sup> March 2009.*

In view of the funding situation there was real danger that these notes would be of only historical interest. Although all design work was now stopped, the College was continuing to process the planning application (as the funds had already been committed), but there was now not the same urgency, and it was important to continue the dialogue with English Heritage and the planning officers, even if the date for formal determination of the application was put back.

**14. Other urgent business**

The Chairman expressed her concern that the numerous shortcomings of policies and procedures that had been discovered since January had never been identified by the College internal auditors. She was proposing that a joint meeting of the F&S and Audit Committees be held. This was endorsed by the Committee.

**15. Date and time of future meetings**

The date of the next meeting was brought forward to **Tuesday 12th May** 2009 17.00 hrs.

**The meeting finished at 6.35 p.m.**