



SOUTHGATE COLLEGE GOVERNING CORPORATION

Finance and Staffing Committee

Minutes of the meeting of 23rd July 2009 held at Southgate College, commencing at 4.30 p.m.

Attendance

Members

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

In attendance

Richard Teare (Interim Director of Finance)
Lizzie Jones (Head of Service Transformation)
David Chaplin (Chaplin Frobisher Welling, Clerks to the Corporation)

- 1. Minutes of the meeting of 25th June 2009**
Received: minutes of the meeting held on 25th June 2009

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

- 2. Matters arising**

Para 11. Collaborative Ventures. (London Borough of Enfield, Joint Finance post)
Lizzie Jones informed the Committee that she had explained to the Council's Director of Finance & Resources that the College was not in a position to move forward at this time, but discussions would continue.

- 3. Apologies for absence**

Andrew Nicholas was abroad.

- 4. Declaration of Governor interest**

There were no interests notified.

5. Notification of any other urgent business

There were two items of other business which would be taken at the end of the agenda.

6. Management accounts for the period ending 30th June 2009

(Received: the management accounts for the period ending 30th June 2009, including the balance sheet at that date and cash flow forecast to May 2010)

The Committee reviewed the accounts and noted:

- Overall financial performance. The operating deficit for the year to date was £248K (May - £38K), chiefly due to below budget income.
- Income for the year to date was £644K (3.73%) below budget, chiefly relating to LSC income, although this was partly offset by above budget Train to Gain income.
- Pay costs were £26K lower than budget, more or less inline with budget.
- Non-pay costs were also below budget, by £225K (4.3%).

Key performance indicators – year-to-date- were now back on or inside the LSC recommended range (shown in brackets) except in respect of general reserve where the higher % (of turnover) reflected the reduced income: cash continued healthier at £1339K.

	College	LSC Target range
Cash days in hand	25.8	(5- 30)
Current ratio	1.1	(0 – 2.5)
Pay Costs as % of turnover	71.4	(65 – 72)
General reserve as % of t'over	15.1	(5-10)

The Nursery accounts remained better than budget.

The estimated out-turn was now for an operating deficit of £496K, against the budgeted out-turn of a surplus of £493K.

The accounts were to be re-formatted from September, but it would be January before the new software to improve the reporting facility was available.

7. Budget 2009/10

Received: the draft budget for 2009/10 (together with a detailed commentary on assumptions)

The Principal reminded Members of the previously reported dramatic reduction in LSC income for 2009/10 of over £1M. In consequence the College had undertaken a major programme of re-structuring (the consultation period for redundancies would end on 28th July 2009).

The Headline assumptions in the budget were:

- a 1.2% uplift in pay costs because of incremental drift
- no general pay award for 2009/10
- less than 100% recognition of potential income streams
- significant reduction (4%) in overall pay budget as a result of re-structuring
- substantial reduction (2%) in non-pay budget
- closure of the Enfield Town outpost in December 2009
- no further CoVE income or transitional ESOL funding
- diminished Tuition fee income

The overall operating budget out-turn was for a surplus of c£70K (net £430K) before effects of the collapse of the building project were taken into account.

The Principal also set out the methodology for budget setting for 2009/10, which was rigorous and applauded by the Committee. The Clerk suggested that consideration be given to incorporating budget setting methodology and outline time-table for budget setting in the Financial Regulations.

There was a detailed discussion of the Budget proposals.

Nigel Levey asked for a more detailed analysis and explanation of the £1M shortfall c.f. 2008/09 and the Principal agreed to circulate this with the minutes.

The changed delivery method (more use of outside partners) and accounting procedure for Train to Gain was explained.

A massive increase in photo-copier/IT leasing costs had been required to accommodate the charges that had emerged during the past year and been previously reported.

Although there was a sizeable budget for property maintenance as scheduled in the condition survey backlog Members asked for assurances that it was sufficient.

It was noted that there was no contingency.

It was agreed to recommend the draft budget to the Governing Body for adoption.

8. Financial Forecast 2009/2012

(Received: the three year Financial Forecast for submission to the LSC)

The commentary accompanying the Financial Forecast commenced with a review of achievement in 2008/09 compared to the specific financial objectives set.

A significant number of these had not been achieved, chiefly because of failure to recruit to the Employer Responsive Contact value, overspend on the non-pay budget and the adverse impact of the collapse of the LSC capital funding programme.

The commentary continued with a comprehensive review of the uncertainties in funding and Government direction of the Further Education sector in the forecast period. There was little cause for optimism unless the College was able to continuously re-assess the impact of changes and adapt its infra-structure to cope.

The Principal was grateful for the encouragement he had received from Governors for the major re-organisation of the past few months and for their commitment to considering new ways operating the business and delivering the curriculum.

The detailed notes of explanation for Governors on the assumptions of the Financial Forecast, the risk sensitivity of these and the derivation of financial plans from the College Strategic Development Plan included:

- statement of Financial objectives 2009/2012
- use of College cash reserves
- key assumptions 2009/2012
- link with College Development Plan
- Supplementary information relating to:
 - Vocational Excellence
 - Young College
 - Learndirect
 - Franchising
 - International Recruitment
 - Human Resource Issues

- Student Number/SLN Growth
- Subsidiary Company
- Income generating activities
- Higher Education
- Response to recession
- Estates and Facilities
- IT Developments
- Sensitivity Analysis

The key financial objectives for the forecast period were to achieve year-on-year operating surpluses through reducing the College's cost base (and re-aligning the staffing profile so that it could respond to the Government's targets for Employer Responsiveness) whilst increasing non-LSC income streams by 10%.

It was also intended to submit a revised Application in Principle for LSC capital support for re-modelling the College's accommodation.

Members noted in particular the plans to exploit the success of Young College, which was not only the largest 14-16 programme in north London, but was better financed than LSC work and was an excellent feeder into post-16 College courses.

Ann Zinkin asked that Members and College staff be mindful of the need to identify other sources of non-LSC income, such as sponsorship.

The Chairman and Members expressed their appreciation for the very comprehensive commentary and explanations provided by the Principal and Director of Finance.

9. Update on Funding Performance 2008/09

Received: statistics of Learner Responsive programme recruitment as at 14th July 2009

These figures showed little change from the previous month.

10. Update on Human Resource issues

Lizzie Jones explained that the re-structuring was expected to lead to the loss of twenty to thirty posts. Consultation meetings had been held collectively and individually with all staff who could possibly be affected, and a spreadsheet compiled to record all concerns and issues. A final document would now be issued to staff at risk, with details of redundancy arrangements and alternatives.

No legal problems were expected; indeed the staff had shown commendable understanding of the College's predicament.

11. Other urgent business

11.1 Appeals against dismissal by way of redundancy

The Clerk outlined the procedure used in other Colleges to deal with appeals against dismissal by reason of redundancy.

The Governing Body had the power to delegate its authority to determine such appeals to the Principal, provided that the Principal had not been involved in the selection of a person for redundancy.

It was agreed to refer this suggestion to the Governing Body meeting later that evening.

11.2 Provision for Voluntary redundancy

The Principal reminded members that the Colleges redundancy payments were based on the Statutory Minimum.

He had been approached by the Trade Union and asked if the Governors would consider introducing a scheme whereby staff might be incentivised to volunteer for redundancy by basing redundancy payments on actual pay rather than the statutory minimum.

The acceptance of volunteers for redundancy would have to be at the discretion of the management, and considered on a case by case basis though in accordance with some generally applicable criteria to ensure fairness.

It was not possible to estimate the costs, but an essential criterion for acceptance should be that the savings made outweighed the redundancy costs.

It was not proposed to make this a College Policy at this stage, but a pilot scheme with a limited budget. The agreement of criteria and the general scheme protocols would need to be delegated to the Chairman of the Corporation and Chairman of the F&S Committee for approval.

It was agreed to recommend to the Governing Body that a pilot scheme be established

12. Date and time of next meeting

The date of the next meeting was confirmed as Thursday 24th September 2009, but at the earlier time of 4.30 p.m.

The meeting ended at 6.15 p.m.