

City College, Birmingham Corporation

Finance and General Purposes Committee

Tuesday 19th February 2008, 5.00 pm for 5.30 pm

at

**St George's Sixth Form Campus
F10 (Chaplaincy room), first floor, main building**

Present: Mr David Brown (Chair) – Business member
Mr Mike Crump – Business member
Mr David Gibson – Interim Principal
Ms Kathleen Quirke – Business member

In Attendance: Mrs Debbie Cole – Clerk to the Corporation
Ms Diane Cleaver – Financial Accountant
Mrs Tracy Everett – Corporation Administrator
Mr Phil Forrest – Deputy Principal: Property Strategy & Development
Mr Peter Harwood – Deputy Principal: Curriculum & Quality
Ms Kath Lloyd-Roberts – Welfare, Mentoring & Child Protection Manager
Ms Annella Mochan – LSC Partnership Manager
Ms Ranjna Parmar – Deputy Principal: Personnel & Services
Mr Pat Smith – Deputy Principal: Finance & Information

Absent: Mr Amrik Sahota OBE – Business member

1. Declaration of interests

01.08FG The Chair asked if anyone wished to declare an interest. Mr Crump declared an interest around anything to do with Birmingham City University, his employer and Ms Quirke declared an interest around anything to do with Allied Irish bank, her employer.

2. Apologies

02.08FG Apologies were received from Mr Coore and Councillor Spence.

3. Minutes of the meeting held on 4th December 2007

03.08FG The minutes were agreed as a true and accurate record of the meeting.

04.08FG **Resolution: members unanimously agreed to approve the minutes contained in paper 1.**

4. Matters arising

05.08FG There were no matters arising.

5. Finance and General Purposes Action List as at 19th February 2008

06.08FG Minute No: 153.07FG – The Clerk informed members that the only issue outstanding on the action list was the review of international activities, which was planned to be discussed during the governor residential in May. However due to the fact that the residential will need to be used for the majority of the training referred to in the Post

Inspection Action Plan (PIAP) She suggested that members may want to defer this item. Members agreed to move the item to the next Finance and General Purposes Committee.

07.08FG **Resolution: members unanimously agreed to receive the action list contained in paper 2.**

6. LSC Funding Position

08.08FG Mr Smith informed members that for 2006/2007 in order to bring the allocation to a close the college agreed extrapolation of some of the audit issues. This means that the college has a negative audit adjustment of £343,032. This brought the colleges recurrent grant down to £26,136,064 which represents 95.3% of the original contract target of £27,438,720.

09.08FG The Chair asked if the college were going to pursue the errors for any under or over estimates. Mr Smith informed members that the errors were not all in the same category. The decision made was that the college would not pursue these errors till the end. The issues are not unfamiliar – like incomplete registers.

10.08FG The Chair stated that he hoped the college were trying to reduce the number of incomplete registers for the future. Mr Smith confirmed that it was and had been trying for the last few years without success.

11.08FG Ms Quirke asked whether the extrapolation was just for 2006/2007. Mr Smith confirmed that it was.

12.08FG The Chair stated that he hoped to see a line in the action plan to deal with this.

13.08FG Mr Smith informed members that for 2007/2008 the college was awarded an initial allocation of £26,633,260 and was subsequently offered the opportunity to earn a further £343,213 of additional 19+ work. Unfortunately initial recruitment has been poor in some areas and the fact that North West Skills Academy did not open until January 2008 also had an adverse impact especially with regard to recruitment of students in the 16-18 age group. This means that the college will not achieve the initial allocation, let alone the revised allocation. There will be a £2 million shortfall.

14.08FG The Chair commented that the college was trying to mitigate the shortfall by costs savings. He commented that £2 million was a lot of costs savings. Mr Smith confirmed that it was. He stated that £1 million could be achieved by cost savings and the college would look for the other £1 million in staffing cuts.

15.08FG Mr Crump asked in terms of the shortfall how likely it was that the college could achieve the savings. Mr Smith confirmed that he was fairly certain that the savings could be made.

16.08FG The Chair asked how the college saw the milestones for measuring success or impending failure. Mr Smith informed members that that budget would be straight forward as far as cuts were concerned. The college is still in the process of producing and costing the Post Inspection Action Plan (PIAP).

17.08FG Mr Gibson informed members that it was not a happy picture as the college had not hit its targets. He stated however that the LSC could have treated the college more harshly than they did. He stated that the college has a meeting with the LSC next week and we need to speak openly with them. Part of PIAP will be a curriculum review as well as focussing on compliance which has been an issue.

- 18.08FG Mr Smith informed members that for 2008/2009 and beyond there is a significant amount of change as the funding methodology is changing dramatically. Added to that the college also has to plan for the aftermath of the poor inspection, which will almost certainly result in some down sizing of activity. The effect of these two changes will put significant pressure on the colleges finances in 2008/2009, although it is hoped that this will ease in 2009/2010 once the new Heartlands building has opened. The changes in funding methodology do not work well for the college as the proposed treatment of additional learner support actually works against colleges with significant LLDD provisions.
- 19.08FG The Chair asked if the college had any idea how the timescales were going to work on this. Mr Smith informed members that bids need to be in by 3rd March. We are currently trying to guess the allocation that we will have.
- 20.08FG Mr Gibson stated that it was important to get all the elements right. The LSC will be happy to discuss the implications of all of those issues and that will happen on 4th March. We are currently trying to get closer discussion with the LSC, especially as there are all sorts of changes which are being politically driven. It is therefore important that the college works as closely as possible with the LSC.
- 21.08FG **Resolution: members unanimously agreed to receive the LSC Funding Position update contained in paper 3.**

7. Financial Report

- 22.08FG Mr Smith informed members that November accounts were included in the papers but that it was now possible to report on December's accounts which had been emailed to members prior to the meeting. He asked members to ignore November's accounts and move straight to December's. He explained that the college was losing money on Non-EU students. One hundred had been targeted but we actually have 68.
- 23.08FG The Chair asked if this money was recoverable. Mr Smith informed members that it was not, which is one of the reasons why international activities needs to be reviewed. The activities the college has been involved in has typically been English heritage. We do need a re-focus on the type of overseas student we are attracting.
- 24.08FG Mr Smith informed members that canteen expenditure is down, which is due to the reduced operating hours. Nursery is also down at East as the move out to the Heartlands Building has already had an impact on recruitment.
- 25.08FG The Chair asked if it were possible to recover that position. Mr Smith informed members that the college was trying by using learner support fund. However Sure Start could potentially second some of our staff.
- 26.08FG The Chair asked how confident the college was about the employer led provision. Mr Smith stated that current forecasts were expected to be achieved but performance in this area will be monitored.
- 27.08FG Mr Smith informed members that the issues on staffing where the college will save are on agency staff assessors for direct delivery. These have not been coded. Also another area is secondments into CCB are being dealt with differently.
- 28.08FG He informed members that Train to Gain was incurring very little additional non staff costs over and above the programme budgets so there will be a saving of £40k allocated to this area.

- 29.08FG The Chair asked whether there would be any movement in examination costs. Mr Smith informed members that these will come down by £70,000 as the college will have less students than we budgeted for. We can also shave some money off the maintenance budget. A £575,000 contingency has been included for a pay award.
- 30.08FG Ms Quirke asked if the college knew how Fair Cities had worked for other colleges. Mr Smith informed members that other colleges had worked the same but just did not get referrals. The brokerage arrangements didn't work as expected.
- 31.08FG The Chair asked if they was making any headway for dealing with short ratio strategies. Mr Smith informed members that the college is looking at the potential sale of Lozells. Proceeds from the sale would become a restricted reserve until we move into another building.
- 32.08FG The Chair stated that the sale of Lozells would not happen very quickly in the current market. Mr Forrest agreed and said that the college want to test the market during March. We are currently talking to our agent and could potentially sell Lozells this financial year.
- 33.08FG The Chair again stated that this was not going to happen soon. Mr Smith agreed and informed members that a short fix solution is that the college can draw down long term funding for a short term.
- 34.08FG Mr Smith informed members that the balance sheet is moving forward as he expected.
- 35.08FG Ms Quirke asked for a ballpark figure on expenditure to-date. Mr Smith informed members that it was approximately £2 million.
- 36.08FG Mr Smith informed members that the PFA audit requests further analysis of the debtor position. He stated that he would try to include this into January or February accounts. Cashflow is still based on the original forecast, we will try and reflect this in the next couple of months.
- 37.08FG Mr Gibson informed members that he had today received a letter from the LSC which shows increased payments for the first three months.
- 38.08FG Mr Smith informed members that he was looking to draw down £7/8 million of the loan.
- 39.08FG **Resolution: members unanimously agreed to receive the Financial Report contained in paper 4.**
8. Funded Projects – update
- 40.08FG Mr Smith informed members that there was not much movement with regard to funded projects. On the bids the college did submit we were not successful directly but were part of a consortium.
- 41.08FG **Resolution: members unanimously agreed to receive the Funded Projects – update contained in paper 5.**
9. Franchise & Partnerships – update
- 42.08FG Mr Smith informed members that franchise provision was pretty much as contracted. The Jami Mosque are not continuing with their contract due to the restricted low contract. They were not happy with that contract and have chosen not to recruit.

43.08FG **Resolution: members unanimously agreed to receive the Franchise & Partnerships – update contained in paper 6.**

10. Capital Building Projects – update

44.08FG Mr Forrest informed members that the City Academy Golden Hillock is now fully operational. The only outstanding issue is the agreement of the final account with Harpers. They have agreed to credit the college with damages of £55,000 payable from the retention monies bonded account. Following completion of the architects final inspection ending the 12 months defects period, the remaining monies will be released to them.

45.08FG He informed members of the difficulties with regard to the Heartlands project due to Redrow Homes failure to exchange contracts on the agreed date and their reduced offer for the purchase of Garretts Green. He reminded members that the offer from MarCity Developers of £4,950,000 was approved at the special corporation meeting held on 31st January. The decision was communicated to the LSC and we have now received all the relevant approvals. We exchange contracts with MarCity tomorrow.

46.08FG The Chair asked if it was possible to claim any compensation from Redrow Homes. Mr Forrest informed members that the college could not claim any compensation as no contracts had been exchanged.

47.08FG Mr Forrest informed members that the North West Skills Centre is now operational and fit out complete, with the exception of the construction workshops which are in progress. The current construction statement shows a current saving of £49,483. Based on the agreed final account, the remaining overall project contingency has been transferred to the equipment/fit-out budget for this new facility.

48.08FG He reminded members of the previous discussions regarding the Handsworth Campus Development with BCC's Planning Department, Conservation and English Heritage. The outline discussions were completed and layout design proposals are now available ready for submission to the planning department, once the prospectus becomes available for presentation to Corporation.

49.08FG **Resolution: members unanimously agreed to receive the Capital Building Projects – update contained in paper 7.**

11. Personnel Report – Update

50.08FG Ms Parmar informed members that she was re-drafting the conduct procedure. Currently Corporation hears appeals and she suggested that in future Corporation hear appeals for the College Leadership Team but all other appeals would be done by the Principal. She was currently awaiting advice from the AoC following the implementation of the new Articles and Instruments of Government.

51.08FG The Chair asked if she was aware of when that advice may be available. Ms Parmar confirmed that she did not.

52.08FG Ms Parmar informed members that there had been a recent dismissal for non compliance that she thought would go to appeal. That being the case we will need a committee of Corporation members as the policy currently stands. She informed members that there had also been 2 other cases. One for potential malpractice, and one for competency of a teacher for under performance.

53.08FG Mr Crump asked whether the level of activity was normal. Ms Parmar confirmed that this was normal but explained that there is likely to be an increased level of activity due to the robust procedures currently being carried out.

54.08FG **Resolution: members unanimously agreed to receive the Personnel Report contained in paper 8 including an update on the following: Equality Scheme, Conduct, Competence & Capability Procedure for Staff, Pay Policy and Staff Absence Sickness Policy.**

12. Proposed Update of Financial Regulations

55.08FG Mr Smith guided members through the update.

56.08FG Ms Quirke felt it important to elaborate in point 7 elaborate that works are satisfactory and on time and on budget.

57.08FG **Recommendation: members reviewed the proposed changes to the Financial Regulations contained in paper 9 and with the suggested amendment unanimously agreed to recommend them to Corporation for approval as detailed below:**

Capital Build Projects

- 1) **Once a capital build project has received approval from Corporation and has obtained consent from the LSC and other bodies who may be contributing funding, it will be the responsibility of the DP Property to deliver the project. The DP Property will engage such technical advisors as are deemed necessary to ensure the new building is fit for purpose, built to approved quality standards and provides value for money.**
- 2) **The DP Finance will assign the project a unique CAP code on the Symmetry finance system. The DP Property will then be responsible for ensuring that all orders relating to the capital build project carry the appropriate CAP code so that expenditure relating to the project is readily assessed.**
- 3) **The DP Finance will maintain a spreadsheet carrying the detail of all invoices received and paid on the individual projects. The DP Finance will meet regularly with the DP property to ensure that the DP Property is kept regularly update on the cumulative spend for the project so that the project is bought in on budget.**
- 4) **The DP Finance will be responsible for ensuring that the spreadsheet also forms the basis for drawing down any capital grants and loan finance, ensuring that the college is not at any time guilty of “double funding” assets.**
- 5) **If the project does include bank loans as a source of funding, these must be approved by corporation and the facilities put in place in accordance with section 14 of these Financial Regulations.**
- 6) **Once the loan funding is in place, the DP finance will be responsible for ensuring that the loan is drawn down in timely manner. Individual transactions drawing down the loan must be sanctioned by any 2 of the Chair of Corporation, Chief Executive, DP Finance and Financial Accountant. The DP finance will also be responsible for developing a suitable hedging strategy, which will be present to the Finance and General Purposes committee who in turn will be asked to recommend it for full Corporation approval**

7) Claims by the main building contractor for work done on the project must be accompanied by a valid quantity surveyors valuation certificate. Works must be satisfactory, on time and on budget.

13. Review of Policies/Procedures

13.1 Physical Intervention Policy

58.08FG Ms Parmar informed members that there had been very little change to this policy. She had consulted with staff and received very little back.

59.08FG Mr Crump asked about the training and timescale. Ms Parmar informed members that some training has already taken place and the college has mainly targeted staff who work in particularly challenging areas and have to deal with this issue.

60.08FG Ms Parmar informed members that there had been an incident earlier with regard to physical restraint which had highlighted an issue although she was not aware of all the details. Her view was that all teaching staff should have this training. The issue of training with regard to this particular incident will be picked up as soon as the college has carried out an investigation.

61.08FG The Chair asked, in terms of insurance and staff involved in physical intervention, where the college stands regarding claims. Ms Parmar informed members that all staff are covered under professional indemnity. However she was not sure how they would stand if a member of staff was involved in a criminal investigation.

62.08FG The Chair stated that this needed to be looked into. If there is physical intervention by a member of staff and the student goes home and calls the police the insurers may not cover if there is a criminal charge. Ms Parmar informed members that she would get some advice and check that scenario out.

63.08FG **Recommendation: members reviewed the Physical Intervention Policy and unanimously agreed to recommend the policy contained in paper 10 to Corporation for approval.**

13.2 Child Protection Policy

64.08FG Ms Lloyd Roberts introduced herself to members as the manager for student support and designated child protection officer. She explained that the policy was thoroughly revised last year and the language updated and there had been no further changes this year.

65.08FG The Chair asked for clarification around the wording 'female mutilation on page 76.4. He asked whether the college was making a judgement and opening itself up to criticism. Ms Lloyd Roberts informed members that this was not the case as female circumcision is an act of mutilation.

66.08FG **Recommendation: members unanimously agreed to review the Child Protection Policy contained in paper 11 and recommend to Corporation for approval.**

13.3 Investment Policy

67.08FG Mr Smith informed members that the reason the report was verbal is due to the timing. He wanted the opportunity to investigate all the options and bring a policy to a future meeting.

- 68.08FG The Chair asked when members would receive this information. Mr Smith informed members that he would present it at the next meeting in May.
- 69.08FG Ms Quirke asked whether the college would be taking advice from the LSC and AoC with regard to an investment policy. Mr Smith confirmed that he would and he wanted the time to investigate all the options properly as the college had never been in this position before.

14. Any Other Business

i) Facilities letter - Barclays

- 70.08FG Mr Smith informed members that the final version of the facilities letter had been received today at 4pm. The letter has been with both Wragge's and Barclays and Barclays have conceded to Wragge's points on our behalf. The bank have agreed to provide a Revolving Loan Facility of up to £12,000,000, reducing to a Term Loan of £7,000,000 to the College. It was approved at the Special Corporation meeting in January that Mr Smith and Mr Coore would execute the facility letter and Mr Coore, Mr Smith and Ms Cleaver would execute any other finance document. The college will make the first drawdown of the facility on 20th February 2008

- 71.08FG **Resolution: members unanimously agreed that the Facility Letter would be signed and delivered to the bank on 20th February 2008 with the required form of drawdown notice and Officers Certificate.**

ii) Sale of Garretts Green site to MarCity

- 72.08FG In preparation for the contract exchange the following day the contract for the sale of Garretts Green site to MarCity was signed by the Chair of the committee, David Brown and Kathleen Quirke.

- 73.08FG **Resolution: members unanimously agreed that in preparation for the contract exchange the contract be signed at the meeting by David Brown, Chair of the committee and Kathleen Quirke.**

15. Date and time of next meeting

- 74.08FG Members agreed that the next meeting would take place on Tuesday 6th May 2008, 5.30pm, venue to be confirmed.

The meeting closed at 7.00 pm.