

City College, Birmingham Corporation

**Finance and General Purpose Committee Meeting
Tuesday 5th May 2009, 5.30 pm
at
North West Skills Academy
in room 3&4**

Present: Mr Roger Buncombe – Independent member
Mr Henry Coore – Independent member
Mr Mike Crump (Chair) – Independent member
Ms Liz Furey – Independent member
Mr David Gibson – Interim Principal

In Attendance: Mr Everton Burke – VP, Curriculum Development
Mrs Debbie Cole – Clerk to the Corporation
Mr Stuart Cutforth – VP, Curriculum Delivery
Mrs Tracy Everett – Governance Administrator
Mr Phil Forrest – Director of Property
Mr Anthony Gribben – Director of Planning & Information
Mr Peter Ryley – Interim Director of Finance

1. Declaration of Interests

83.09FG The Chair asked if anyone wished to declare an interest. The following governors declared interests in relation to the following:

Mr Buncombe – Lambert Smith Hampton, his employer.
Mr Coore – South Birmingham College (SBC), Governor
Mr Crump – Birmingham City University, his employer
Ms Furey – Aston University, her employer

2. Apologies

84.09FG Apologies were received from Ms Jeynes and Ms Quirke.

3. Minutes of the Finance and General Purposes Committee meeting held on 17th February 2009

85.09FG The Interim Principal commented that minute number 70.09FG should read 'The Interim Principal expressed some hesitation on changing governor liability as this was a specific request from a member of the Corporation and the decision is less than 12 months old. The Interim Director of Finance stated that this would not cause any issues as the College had added additional cover part way through the year'. With this amendment the minutes were agreed as a true and accurate record of the meeting.

86.09FG **Resolution: members unanimously agreed to approve the minutes of the Finance and General Purposes Committee meeting held on 17th February 2009 with the above amendment.**

4. Matters arising from the minutes

87.09FG There were no matters arising from the minutes.

5. Finance and General Purposes Action List as at 5th May 2009

88.09FG The Clerk guided members through the action list.

89.09FG Minute No: 10.09FG – College Fee Policy –Comparisons with other local colleges will be made as soon as the 2009/2010 tariffs are published and the findings presented to a future meeting. Retain on the action list.

90.09FG Minute No: 15.09FG – Finance & Funding Report – Members have agreed that this report, due to the 15 day publication deadline, is the only report they will accept as a late or tabled paper. This item can now be removed from the action list.

91.09FG Minute No: 54.09FG – Exit Monitoring – Some exit monitoring is included in the Human Resources Report later in the meeting. Also this information will be included in the Annual Human Resources Report. This item can now be removed from the action list.

92.09FG Minute No: 72/73/09FG – Insurance/Governor Liability – research with other colleges undertaken and report presented to Corporation. This item can now be removed from the action list.

93.09FG Minute No's: 20.09FG and 41.09FG are still on-going and will be retained on the action list.

94.09FG **Resolution: members unanimously agreed to receive and monitor the Finance and General Purposes Committee action list as at 5th May 2009 contained in paper 2.**

Finance

6. Finance and Funding Report

95.09FG The Interim Director of Finance updated members as to the key issues. Income and expenditure remains key due to the fact of under recruitment against adult LSC funding targets. The LSC say they are going to hold back funding of approx £3.25 million in June and July for the under recruitment. This will have a substantial impact on the College's financial position. However in terms of the ILE the College realised it was not going to hit targets and as a result has been cutting back all through the year. There is still a good chance to come in break even. However impact on cash would drive the College into overdraft in July and the College also have to pay £4 million of the Barclays loan and change from the revolving credit

facility and convert into a 20 year term loan, like a mortgage. The College has been in discussion with LSC who have suggested the College put together a solvency plan to ameliorate the situation.

- 96.09FG The Interim Director of Finance informed members that he had also been in discussions with the banks and, in the spirit of openness, had been sending them copies of management accounts so that they are fully aware of the situation. He stated that the banks have been very supportive and continue to be so.
- 97.09FG Governors asked what the perceived risks were in the forecast for the year, over and above what was already in the report. The Interim Director of Finance confirmed that it would be Train 2 Gain funding. At the minute the College is predicting £500,000 income. Soon after this report was issued the College received a communication from LSC asking us to halve that. The College wrote to them and are working with LSC, but they feel pretty confident they should be able to give us £400,000. Therefore there is £100,000 at risk. On the downside looking at £200,000.
- 98.09FG The Interim Director of Finance informed members that for the next finance report he hoped to present a forecast balance sheet, which will improve information for members.
- 99.09FG One Governor stated that the College seemed to have been cost saving for sometime and asked if there were any risks regarding under investment in the estate. The Director of Property stated that there were no risks as the College now has a lot of new buildings, which takes the pressure off planned maintenance. The risks for the estate are very small, not withstanding the Handsworth Campus, as it is a listed building. The Interim Principal stated that half of the risks regarding the estate have now gone with the disposal of the East Campus.
- 100.09FG **Resolution: members unanimously agreed to receive the Finance and Funding Report contained in paper 3.**

7. Draft Fee Tariff 2009/2010

- 101.09FG The Interim Principal guided members through the changes listed in the executive summary. He explained that the fees were all in line with general policies and stated that the College has tried to be realistic.
- 102.09FG One Governor asked if the College had an idea of how the College benchmarks with the rest of the market or if it was too early to say. The Interim Principal informed members that the College had undertaken some research and has tried not to charge too much, but play a safe line. Fees have been kept as low as they can be but there has to be a degree of realism.
- 103.09FG Governors stated in terms of full cost recovery, there will be other things affecting the market not just the price of courses. The Interim Principal agreed and stated that organisations look at their bottom line and if they cannot afford training then they do not do it. The Vice Principal Curriculum Development informed members that one of the strategies the College is exploring is add-ons, which will hopefully stimulate organisations but keep our prices down. The Interim Principal stated that

there is also another problem with the changes to LSC and in particular Train 2 Gain. LSC tried to reduce our targets in year and they have now agreed virtually 75% of the original target. The Vice Principal Curriculum Delivery informed members that the College has tried to compensate full cost recovery with class sizes of 10, which is a 5% margin across the board.

104.09FG Governors asked if the timescale was realistic bearing in mind the forthcoming LSC changes. The Interim Principal confirmed that the College hoped to have final information for the next meeting. **Action point – Director of Planning & Information.**

105.09FG **Recommendation: members unanimously agreed to recommend to Corporation approval of the Draft Fee Tariff for 2009/2010 for use in planning and publicity prior to the publication of the final tariff in June 2009.**

8. Marketing Report – Update

106.09FG The Vice Principal Curriculum Development guided members through the report. He stated that marketing had been very busy and pro-active and will continue to do so. There is a new theme this year for marketing which has moved from advertising to one of promotion. The change in theme is beginning to yield some positive outcomes.

107.09FG Governors noted that there had been a couple of open days and asked if the College keep attendance records to compare to previous years. The Vice Principal Curriculum Development confirmed that it did, however, he did not have that information to hand. The Interim Principal informed members that what can be done is to compare the number of enrolments at this stage of year compared to last year. He informed members that this information is being presented to SMT. He offered to bring a comparison of enrolments to members at the next meeting. **Action point – Interim Principal & Vice Principal Curriculum Development.**

108.09FG Governors commented that there must be other newspapers than those listed in the paper on page 28. The Vice Principal Curriculum Development confirmed that there are other newspapers but those listed in the paper are the key ones the College uses.

109.09FG Governors asked how the College know that they are the key newspapers. The Vice Principal Curriculum Development stated that they are the ones with the biggest distribution.

110.09FG Governors stated that this would depend on the readership. The Vice Principal Curriculum Development agreed and informed members that the College also has that information. Governors stated that it must be based on the readership and would like to see the facts to support any stated position. **Action point – Vice Principal Curriculum Development.**

111.09FG Governors asked whether Asian Today caters for communities on the whole. The Vice Principal Curriculum Development confirmed that it does. Also some of the organisations have an internet version. The College is conscious that some of these papers focus on certain groups. He informed members that the Interim

Principal had been in touch with one of the Pakistani community leaders who offered the College his assistance in accessing the cable channels. The Interim Principal informed members that he promised an open evening with local businesses and also to promote and distribute information from the College through community organisations and schools.

112.09FG Governors asked if the College was ensuring it receives maximum hits with the right markers. The Vice Principal Curriculum Development explained that there had been a temporary stall on getting the information up to date. The College also had problems in recruiting a web person. The Interim Principal stated that he felt that the College had more that could be done in this area. **Action point – Vice Principal Curriculum Development.**

113.09FG One Governor asked what the timescale was for the College in respect of Higher Education provision. The Vice Principal Curriculum Development informed members that this was an initiative the College was looking at for the future coming year.

114.09FG **Resolution: members unanimously agreed to receive the Marketing Report – Update contained in paper 5.**

Estates

9. Report from the Director of Property

115.09FG The Director of Property guided members through his report and updated regarding the Garretts Green site. The last conversation he had with MarCity was the middle of last week. MarCity still remain confident that through social housing they could get the College £2.5 million for the site. They continue to work with the planning department, so there is movement from that point of view. He read from a report he had just received from Lambert Smith Hampton and asked the Clerk to forward the report to all members of F&GP. **Action point – Clerk to the Corporation.**

116.09FG The Director of Property informed members that the scheme put forward by MarCity, in Lambert Smith Hampton's opinion, of just over £2 million in a market that is not suitable at the minute to receive more. They have taken a view in terms of mothballing the site which has costs associated with it. Land values decreased by 50% in 2008 and house prices reduced by 15%. Social housing is probably a better option for Garretts Green. In the early 80s it took 10 years before prices started to increase.

117.09FG One Governor stated that in the current climate an offer of £2.5 million is a good offer but still subject to planning, so there will be a few hurdles. If the College mothball the site there are still costs re security etc.

118.09FG The Director of Property stated that unfortunately the risk remains with the College until the site is sold. The Interim Principal stated that he understood that the offer is for the reduced density. One Governor confirmed this to be the case and suggested that the College consider claw back if the buyers get more density from

the planners on the site. The Director of Property informed members that there was a favourable response from the planners. He also stated that the Government agenda at the minute is towards social housing.

119.09FG Governors asked what the timescale for the sale of the East Campus was. The Director of Property informed members that things were now moving on planning so expected a completion around October or November time. He stated that it will be in the interest of MarCity to push as quickly as they can. They have already done a lot of work on the previous planning application so he hoped the completion could be reasonably quick.

120.09FG Governors asked how MarCity were fairing in the current climate. The Director of Property informed members that he thought they were alright as they are involved in social housing which is a priority.

121.09FG Governors asked whether any due diligence had been carried out. The Director of Property informed members not recently but this matter would be pursued. **Action point – Director of Property.**

122.09FG **Resolution: members unanimously agreed to receive the Report from the Director of Property contained in paper 6.**

10. Minutes of the Safety Committee meeting held on 23rd February 2009

123.09FG The Interim Principal guided members through the minutes. He drew members' attention to the actions taken on page 44. He explained that there is not enough parking at the Fordrough Campus and the Director of Property is looking at imaginative schemes. The move to Fordrough is progressing and would hope to hold some Governors meetings there. He suggested that members may wish to consider holding the occasional meeting at the Handsworth Campus so Governors move around the sites.

124.09FG **Resolution: members unanimously agreed to note the minutes of the Safety Committee meeting held on 23rd February 2009 contained in paper 7.**

Personnel

11. Human Resources Report – Update

125.09FG The Interim Principal guided members through the report on behalf of the Director of Human Resources, who had sent her apologies. He explained that the staff survey deadline had been extended as the more staff to complete the survey the more meaningful. He updated on the tribunal stating that the insurers settled even though the College felt it could win the case. There is one disciplinary regarding the misappropriation of funds, however there is nothing to report on at this stage. He informed members that a full investigation was well under way within 48 hours. Governors asked whether the College has a requirement to inform the LSC with regard to misappropriation of funds. The Interim Principal stated it would be dependent on the amount, which was unclear until the outcome of the investigation. He briefly discussed the exit monitoring.

126.09FG One Governor stated that he had been advocating the importance of not just the

negative but positive as well. In the past members had received sanitised reports, which tells governors very little. The Interim Principal informed members that it would not be sanitised.

127.09FG The Vice Principal Curriculum Delivery guided members through the teaching staff deployment information. He informed members that future reports would contain better percentages. He stated that each term teaching logs are signed off and entered onto spreadsheets and monitored 3 times a year through the MOT process. He was suggesting adding in the percentage deployment each term. **Action point – Vice Principal Curriculum Delivery.**

128.09FG **Resolution: members unanimously agreed to receive the Human Resources Report including Teaching Staff Deployment and Exit Information for staff leavers contained in paper 8.**

12. Policies/Procedures

12.1 Conduct and Grievance Procedures

129.09FG The Interim Principal guided members through the report. He explained that the procedures had been revised due to changes regarding ACAS. The Director of Human Resources had requested that he draw members' attention to the fact that the grievance procedure does meet the ACAS code. It has been suggested adding in at 2.13 that at any stage of grievance the College can resort to mediation at any stage in the procedure.

130.09FG One Governor asked under 7.3 investigations whether the person undertaking the investigation should be from another team. The Chair stated that in the main, it was preferable to adopt this approach but was not always practical and once written into the policy then the College would have to comply with a stated position, which may not serve the interests of either the employee or the college.

131.09FG **Recommendation 1: members unanimously agreed to recommend to Corporation approval of the Conduct Procedure contained in paper 9.**

132.09FG **Recommendation 2: members unanimously agreed to recommend to Corporation approval of the Grievance Procedure subject to the amendment suggested in 129.09FG.**

13. Any other business

13.1 Solvency Plan

133.09FG The Interim Director of Finance informed members that since the paper was produced he had been in further discussions with the LSC and although the paper states that it is for information he would like a recommendation from members in order to move forward. Recruitment of LSC-funded adult students is below target, hence LSC will holdback funding in June/July and will reduce the allocation for 2009/2010. Continued close control of costs is vital if financial breakeven is to be attained. LSC have been asked to cancel or at least defer the £3 million holdback to prevent the College going into overdraft. LSC remain supportive to the College

and the LSC Finance Director has put forward a paper to the LSC Area Director for Birmingham and Solihull and will try to get release of the letter to the College. He is of the view that if the College get any money from the LSC it will have to repay it back and the LSC will want to know how the College can repay it. His view is that the College should remain cautiously optimistic but even if LSC do supply any money the College still needs some loan capital from the banks.

134.09FG One Governor stated that banks would be looking for forward forecasts and asked how much progress had been made. The Interim Director of Finance informed members that the banks had already received the 3 year forecast and management accounts. The banks have seen the 12 month cashflow, which is key where the banks are concerned. He explained that he had been absolutely frank with the banks.

135.09FG Governors asked when an update to the forecast would be available. The Interim Director of Finance informed members that the LSC have requested this information so a forecast will be prepared very shortly and obviously Finance and General Purposes will see that.

136.09FG One Governor asked with regard to the calculation of £2million and stated that it was presumably dependent on LSC to defer claw back and the re-launch funding. She asked if the College had any idea on time scales. The Interim Director of Finance informed members that he was lead to believe that it will be before the end of May.

137.09FG Governors stated that they appreciate that it must be difficult to have a discussion with the bank when we are not sure if £2 million is enough. The Interim Principal stated that he did not doubt that £2 million would be enough. SMT have done considerable work and discussions with the unions would include the possibility of 90 + people being made redundant.

138.09FG The Interim Director of Finance agreed that members' point about how banks may react is quite right and one of the things he would be saying is that the College has a request in with LSC and look at likelihood. However the College may have to go back to the banks at a later date for more or less.

139.09FG Governors asked what the covenant with Barclays was. The Interim Director of Finance informed members that one particular condition the College must not incur is financial losses for more than 2 consecutive years and we have done, last year and the year before.

140.09FG The Interim Principal questioned if the College received any money from the LSC who it would have to be paid back to in 2010. The Interim Director of Finance informed members that he felt any money for a re-launch would be a gift and holdback will need to be paid back maybe spread over a few months.

141.09FG Governors stated that it is not the time but asked if the College has thought about any other banks. The Interim Principal confirmed that this had been considered but the LSC cannot agree to any additional agreements only changes to existing ones. Governors commented that this was a pity as other banks may have some good deals.

142.09FG Governors stated that they would appreciate sight of a new 3 year plan as soon as possible. **Action point – Interim Director of Finance.**

143.09FG **Resolution: members unanimously agreed to recommend to Corporation approval of the Solvency Plan and give delegated authority to the Principal and any 2 of the Chair, Vice Chair (Chair of Audit) or Chair of Finance for a mid-term loan to a maximum value of £2 million. They also agreed to LIBOR plus 2.5% on £ 2 million only.**

14. Date and time of next meeting

144.09FG Members agreed that the next meeting would take place on Tuesday 23rd June 2009, 5.30 pm, NWSA, in room 3&4

15. Meeting Evaluation Form

145.09FG Members were asked to complete their evaluation forms and hand them to the Clerk prior to leaving the meeting.

Meeting closed at 7.15 pm.