

KING GEORGE V FURTHER EDUCATION CORPORATION

**MINUTES OF THE MEETING OF THE GOVERNORS
FINANCE & GENERAL PURPOSES COMMITTEE**

6.00pm Monday 10 March 2014

PRESENT Arlene Allan (Governor)
Chris Baker (Governor)
Elinor Dodd (Governor)
Paul Lacey (Governor)
Morag Matthews (Staff Governor)
John Rostron (Governor)
Vipin Trivedi (Governor)
Adele Wills Principal (Governor)
Will Melia (Director of Finance & Resources) In Attendance
Wendy Moorcroft (Clerk)

A Quorum being present Arlene Allan in the Chair opened the meeting at 6.00pm.

14/08 Apologies

None.

14/09 Minutes of the Meeting of 27 January 2014

The minutes were accepted as a true and accurate record and signed by the Chairman as a correct record.

14 /10 Matters Arising

There were no matters arising.

14/11 Financial Report – Period 6

Will Melia, Assistant Principal took Governors through the Period 6 Accounts for 2013/2014.

Looking at the key points within the report Governors noted that the College was £11k below target surplus to Period 6. The forecast for the year however was a surplus of £482k which was £96k worse than budget. This was primarily due to a combination of pay costs being £77k over budget and non pay costs £27k over budget. The additional pay costs reflected the higher than anticipated cost of new teaching staff, additional technicians and the cost of the PE technician funded partly through the Kenyon trust. A contingency of £19k was also included within the budget. Non pay costs reflected the cost saving exercise of reducing a range of non pay budgets by 20% but this was offset however by the impact of accelerated depreciation in respect of the new Creative Arts block. Income was largely in line with budget. Capital expenditure to period 6 was £232k but this would obviously rise significantly now that work on the Creative Arts block was underway. Cash reserves were around £1.2m and forecast to remain the same by the end

of the year. Initial projections for 20/14/15 indicated these would fall to around £1m, again as the capital project costs impacted. As reported at the last meeting Governors noted that the 'current' ratio was below target due to redundancy payments and inflated accruals relating to BCIF income received not yet spent. The ratio was anticipated to improve by the year end and return to target by 2014/15. As reported earlier the work on the Creative Arts Block had commenced. A separate paper on the proposal for loan finance was on the agenda. There had however been an issue with regard to the security requirement by Nat West in respect of the loan. The original intention had been to offer the new building as security. This however did not meet the necessary valuation. To split the site in terms of valuation was difficult and costly. It had therefore been proposed that Nat West be offered the first charge over the whole site which was not ideal given the relative value of the loan to the value of the whole site and also may cause minor problems should the College wish to take out additional loan finance in the future. All Governors had been contacted to obtain their views.

All had replied in favour so long as the College took the appropriate advice from its own solicitors.

A further BCIF Bid had been submitted to replace Fearn Building and the outcome was expected by the end of March. It was hoped to continue to use Turners and AA Projects. It may also be necessary to take VAT advice if the intention was to link to the Creative Arts Block. The Chairman had written to Nick Clegg following his visit to College to see if any additional funding to address estates issues would be forthcoming.

Finally as Governors were aware, due to lower than expected recruitment in 2013/14 further cost savings were still required. The Principal had announced a request for further voluntary redundancy and this would be followed by a review of support staff to make further savings. It may then be necessary to review teaching staff again in September once enrolment numbers for 2014/15 were known. Governors noted with regret that this was having a detrimental effect on staff morale.

The Committee noted and accepted the Period 6 Accounts and Financial Report.

14/12 Loan Finance – Interest Rate options

Will Melia, Assistant Principal presented the paper on Loan Finance and potential interest rate options. The paper outlined three possible options over various terms, option 1 being 100% Variable rate loan, option 2 100% Fixed rate loan and option 3 Mix of Fixed/Variable 50:50 split loan. Governors asked if there were options to set a cap if the College opted for a 100% variable loan but it was felt that this could be complex and costly to arrange. Interest rates were currently low and expected to rise so fixing would give some degree of certainty. Fixing however mean the College would incur substantial 'break costs' should it wish to repay early or break from the fixed interest rate. The Committee agreed that a mixed loan was the preferred option. Whilst the option presented was modelled on a 50:50 split, it was felt that fixing 70% of the loan and leaving 30% variable for the first 15 years of the 25 year loan would be the better option.

The Committee therefore agreed that the loan be set up on a 70:30 fixed:variable basis for the first 15 years of the 25 year loan and that Nat West be asked to prepare the loan agreement accordingly and that Governors be sent the detail of the indicative costs for comment and agreement prior to completion

14/13 Any Other Business

Governors noted the plans for the departure of Mr Melia who had accepted voluntary redundancy. An advertisement for a part time accountant had been placed in the local newspaper and the TES.

There was no other business.

14/14 Date of Next Meeting

12 May at 6.00pm.

There being no other business the meeting closed at 6.35pm.

SIGNED BY THE CHAIR AS A TRUE AND ACCURATE RECORD

..... **DATE**