

BOSTON COLLEGE

MINUTES OF THE MEETING OF THE BOSTON COLLEGE CORPORATION HELD ON TUESDAY 24 JULY 2012

1. PRESENT

Mr P Copley (Chair), Mr S McCracken (Vice Chair), Ms L Adey, Mr M Gallagher, Mr D Hanson, Mr R Haynes, Mrs L Ladds, Mr T Lascelles, Ms I Lebedowicz, Mrs A Mosek, Mr A Reynolds, Mr B Walder, Mr D White, Mr J Woodward and Mrs H Wright

Also in attendance: Mrs J Hemmant (Clerk to the Corporation), P Collins (Director of Business Development), Mrs F Grady (Vice Principal: Curriculum and Quality) and Mr S Stanley (Finance Manager)

Apologies for absence were received from Mr J Earl, Mr N Percy and Mr R Stanley

2. MINUTES

It was noted that as this was a special meeting to discuss specific issues the minutes of the previous meeting would not be considered.

3. RED LION QUARTER

Members received a report from the Vice Principal: Corporate Services on the Red Lion Quarter. This report included an analysis of potential learners in the Spalding area, financial information relating to the purchase of the Red Lion Quarter and a business development perspective on the proposed acquisition of the Red Lion Quarter.

Particular consideration was given to the bank loan which, it was noted, included some funds loaned in respect of the hall of residence.

Members reviewed the information presented and noted that there were intangible as well as tangible benefits and challenges to the acquisition of the Red Lion Quarter. Members felt that since the analysis showed that the Centre could be viable in the most likely worst case, failure of the College delivery, that the risk to the College was manageable should the College developments not prove to be as successful as hoped. Members confirmed their support for the executive team in acquiring the Centre but agreed that activity in Spalding should be monitored closely to ensure that it was viable. It was agreed that separate reporting on the activity and performance of the Centre would be required at each meeting of the Corporation in the future and that it would be helpful to have a dedicated session to consider ways in which the College could gain most benefit out of the use of the Red Lion Quarter.

The members noted that the return on investment from acquiring the Red Lion Quarter was only 1% and this was unlikely to be sufficient to cover the costs of borrowing. The members were supportive of the Executive team's commitment to acquiring the Red Lion Quarter, for strategic reasons, but it was noted that the acquisition will undoubtedly tighten the cash position. So that the Corporation does not look back on this acquisition with regret, it was felt prudent that the Executive team make plans now for a restructuring which might prove necessary if the cash position does become a problem.

Specific consideration was given to the Sage Restaurant which members concluded could not continue to operate as a day-to-day restaurant in its current form. The losses were estimated at c £200k p.a. A number of options were considered for its future use and consideration needed to be given to local reaction to a diminution in the restaurant service. Members agreed that any use of this area needed to give added value for the rest of the College. It was agreed that the use of the restaurant should form part of a business planning session and that the

College should also procure specific help in planning the use of this area as required.

Having confirmed their support for the Executive team in acquiring the Red Lion Quarter members requested that the solicitors should be clearly instructed to ensure that the College does not carry potential liability in respect of any repayments of grant funding received by the Council for the development of the Red Lion Quarter.

4. **FINANCIAL PLAN**

Members received a report from the Vice Principal: Corporate Services on the Budget and Financial Plan. The report was supported by detailed information on the 2012-13 budget including phasing, year on year variances and explanatory notes. Similar information was provided on the balance sheet and the cash flow. The report identified a particular area of challenge as the delivery of the Single Adult Budget and provided an analysis of the most significant variance in the financial information which related to repairs and maintenance.

A detailed discussion took place about the challenging financial circumstances in which the College found itself and members particularly discussed with college managers how costs were being controlled in the light of reduced grant funding availability. Members were advised that it was difficult to reduce teaching staff costs in response to the reduced funding because reduced learner numbers often fell across the range of provision and that many of the small groups were second year courses. Some reductions have been made in teaching staff costs in respect of, in particular, the Learning Centres, where the staff costs actually appeared under the administrative line in the budget. It was agreed that teaching staff costs should be reviewed again after enrolment and a careful review of the 16-18 funding being earned as compared to the curriculum plan should be undertaken.

It was agreed that the acquisition of the Red Lion Quarter with a return of 1% would tighten the cashflow considerably and cost savings would need to be identified now rather than waiting for income to drop still further and it was agreed that an examination of teaching costs to identify areas which may be marginally viable should be undertaken. A particular concern was the reduction in the College's cash balances and the bank covenant where it was noted that the College had to be given a period of grace by the lender prior to the end of the financial year on 31 July if the bank loan was not to be classified as a current debt. It was agreed that members should be advised as quickly as possible if the College failed to get the required measure of assurance from the bank.

An area which was of particular concern was the performance in Spalding of the restaurant and it was agreed that the College could not sustain the costs being incurred on this element of its work.

Members felt that the information provided with the breakdowns and supporting notes was a great improvement on that previously presented and asked that this format should be maintained. Specific requests were that the cash flow should be analysed against the actual performance during the year with notes of variances and that bank covenant projections should form part of the regular reporting.

Members agreed that action taken in respect of the budget should be:

- a. Adjustment of the phased budget for the removal of the losses of the Spalding restaurant provision in its current form (estimated at c. £200 p.a.)
- b. Submission of the budget adjusted in this way as part of the College's Financial Plan to the Skills Funding Agency by the end of the month
- c. Confirmation of the College's financial health grades as at least satisfactory as shown in the plan

- d. Acceptance of the figures presented adjusted further by the Spalding restaurant changes as the College's base budget for 2012-13
- e. Pursuit of the required letter of assurance from the bank by the deadline of 31 July

Members thanked John Woodward for his work and commitment in getting the information presented in the revised formats and his understanding of the financial issues being faced by the College.

5. **PROPERTY DEVELOPMENT**

Members were reminded that a meeting was arranged for the 1 August 2012 to consider the tenders for the new entrance development at the Rochford site. They were also advised that the marketing of the De Montfort Campus for sale would be commencing shortly.