

Minutes of the F&GP Committee held on 23 June 2009

Present: Mr M Murray (Chair)
Mr M Dixon (and Estates Committee)
Dr R Dugdale (and Estates Committee)
Dr R L'Amie
Ms J McAllister

In attendance: L Swift (Head of Finance)
J Stott (Clerk)

For agenda item 5

Mrs M Hopwood (Member of Estates Committee)
Mr P Brown (Member of Estates Committee)
S Jones (Assistant Principal Quality & Operations)
I Durham (Head of Estates & Facilities)
Mr Peter Darwen (Investment Appraisal Consultant)

Apologies: Mrs M Damant (Member of Estates Committee)
for item 5

Meeting commenced: 19:11 pm

Meeting closed: 21.11 pm

38/09 Disclosure of financial and/or personal interest

Dr R L'Amie disclosed an interest in agenda item 5.

39/09 To agree agenda and order of business as circulated

It was agreed to consider agenda item 5 as the first main item.

40/09 Joint item with the Estates Committee

i) To consider progress on Capital Project Property Developments

The Principal introduced the item and informed the meeting of the latest developments. The Quantity Surveyor had priced the current design for the new build at £22.4m plus the cost of the lease premium. This was higher than originally anticipated but in line with the current LSC building cost guides. Under the current LSC funding regime, once the College reached the borrowing limit of 40% of 3 year post project income, the LSC would fund the balance. For the College's capital project, the borrowing was expected to be in the region of £3.8m to £4.2m. Work had started on the investment appraisal and the full Application in Principle document. It was critical that the build provides sufficient space

for the College's future needs. However, the project should not be predicated on too high a growth assumption. The LSC had informed the College that, in their view, the lease premium did not meet the Treasury Guidelines to be added to the list of projects to progress and the College should consider borrowing the money.

The Head of Finance confirmed that the Application in Principle was being worked up and the projects could be considered as stand alone and include the lease premium. The meeting was told that unless the work could be treated as individual and phasable projects and added to the list by the LSC, then the College might have to wait until 2012 before anymore funding could be available.

A discussion took place and a comment was made that the College should consider prioritising the individual projects to determine which, in the long term, would provide the better return.

ii) To receive a training item on Financing the Capital Project

Peter Darwen (Investment Appraisal Consultant) presented the training item on 'Financing the Capital Project'. He covered:

- the feasibility study;
- the 'In-Principle' application and the working up to a detailed bid within 12 months of the Application in Principle (AIP);
- how the LSC assesses the capital grant to be paid and what it means for Colleges;
- the impact on the finances to 2016 of the capital project;
- bridging facilities;
- assumptions made for the periods 2009-12 and 2013-19;
- ways of minimising the loan facility;
- sensitivities and key risks.

A discussion on the difficulty of quantifying the growth of students without committing the College to a level of borrowing that was not affordable took place. Members also queried whether the assumptions were realistic, in particular, regarding the level of pay award assumed. Members were informed that the assumed pay awards were as per LSC guidelines issued for the July 08 forecasts and that increasing the pay awards would increase the income assumptions, resulting in higher borrowing.

The Head of Finance confirmed that the AIP was nearly finished and would not cost a great deal more to complete it. It was agreed that the AIP should be completed and that members

would then discuss the investment appraisal on the whole project and on the individual, stand alone elements. Members confirmed that they wished to give further consideration to the options available before any decisions were finalised. Members considered the need for a fall back position if the capital project as a whole or any of the stand alone elements were not successful.

The Principal reported that further work on the need for additional space from September 2009 had resulted in planned discussions to rent additional space in Victoria Hall and office space in Saltaire rather than progressing the Otley Road or Portacabin options.

Peter Darwen was thanked for his interesting and informative presentation.

P Darwen, S Jones, I Durham, P Brown & M Hopwood left the meeting.

41/09 To approve the minutes of the meeting held on 12 May 2009

The Clerk informed the meeting that Dr L'Amie had declared an interest under minute 27/09 in respect of the Capital Project Property Developments item. With the above amendment, the minutes of the meeting held on 12 May 2009 were declared a true record.

42/09 Matters Arising

a) 31/09 (page 2, penultimate paragraph)

The Principal provided more information on the decision not to undertake, at this stage, some of the adaptations; the discussions with the Manager to increase the College's use of Victoria Hall and rent some office space in Saltaire; and the decision not to progress the Otley Road and Portacabin options. She informed the meeting that the new Principal had been fully involved in the discussion and the decisions above.

43/09 To consider the 2009-10 Revenue and Capital Expenditure Policy

The Principal introduced the item and highlighted the following. The LSC allocation represented a 1.02% increase on the 2008/09 income. A pay increase of 2.0% was assumed from the 01/08/09. The AOC's current offer of 1.0% was very likely to be

rejected. A pay award of 2.5% would increase costs by £27k.

A discussion took place and members asked the Head of Finance to model a number of pay award scenarios to present to them. It was agreed for the Head of Finance to present forecasts based on 2% and a summary of the variances if the pay award were to be 1%, 1.5% and 2.3%. Members were informed that, as a result of a 3-year agreement, the Teachers' pay award would be 2.3% in 2009/10.

The Head of Finance explained that the maintenance investment programme would include essential works only and was within the £63k budget. The current capital allocation, based on 2% of base LSC income, was £122k. This figure would not meet the priority 1 IT bids (to maintain the current level of equipment) and priority non IT bids. She informed the meeting that a small capital sum had been given to the Horticulture and Sport/Leisure Sectors for capital purchases.

44/09 To consider the Bi-Monthly Management Accounts for the period to May 2009

The Committee considered the Management Accounts and Report for the ten month period to 31 May 2009. Due to time constraints, the Head of Finance gave a brief overview of the Bi-Monthly Management Accounts.

Out-turn for the period

The retained surplus was £152k compared to a budgeted surplus of £32k. The Head of Finance explained this increase was due to the way the Employer Responsive Income had been received and she projected the final outcome would be similar to the forecast figure.

Income

Total income for the period to 31 May 2009 was £6,312k, compared to a budgeted income of £6,357k. This represented a decrease of £45k.

The Head of Finance highlighted that her two main concerns were:

- tuition fees, which for the period were £345k compared to a budget of £396k. She explained that the main reason was a reduction in the number of claims processed through the Learner Support Fund. This was due to an increase in the number of students remitted through Level 2 and Level 3 entitlement. In

answer to a question, the meeting was told that the College receives funding for remitting students but the base LSC allocation cannot be increased;
- and exam fees, which would need careful monitoring

Expenditure

Total expenditure to 31 May 2009 was £6,163k compared to a budgeted £6,328k. This represented a decrease of £165k.

The Head of Finance informed the meeting had been automatically produced.

The report was received

45/09 To consider the updated Finance Strategy and Plan

The Principal introduced the item and referred members to the June 2009 update to the 2007/10 Finance Strategy and Plan. She highlighted that there were no proposed changes to the aims and financial objectives on page 1. On page 2, the measurable outcome was that the College's financial score is assessed as good following quantitative performance indicators. She explained that the main updates were to the additional resources/risk column.

She then took members through the changes.

A discussion took place on the LSC's approach to the capitalisation of AIP fees. It was reported that the LSC would not be taking this into account when assessing the financial health score of colleges. Nevertheless, colleges' 2008/09 reserves and balance sheet were more than likely to be affected.

The update was received.

46/09 Any other business

- a) Dates of meetings to December 2009
 - i) Tuesday 14 July 2009
 - ii) Tuesday 22 September 2009
 - iii) Tuesday 1 December 2009