

Minutes of the F&GP Committee held on 14 July 2009

Present: Mr M Murray (Chair)
Dr R L'Amie
Mr N Chohan
Mr M Dixon

In Attendance: Mr J Stott (Clerk)
Mrs L Swift (Head of Finance)
Mrs S Jones (Assistant Principal, Quality & Operations)
Mr S Hooton (Assistant Principal, Learners & Learning)
Mrs S Butler (Principal's Secretary & Minute Secretary)

Apologies: Dr R Dugdale

Meeting commenced: 19:00

Meeting closed: 20.27

47/09 Disclosure of financial and/or personal interest

Dr L'Amie declared an interest in the Capital Programme update to be reported under Matters Arising

48/09 To agree the agenda and order of business as circulated

The agenda and order of business were agreed.

49/09 To approve the minutes of the meeting held on 23 June 2009

Minute 43/09: The meeting agreed to change *assumed* to **projected** in the penultimate line on page 3. With the above amendment the minutes were approved as a true record.

50/09 Matters Arising

- (a) 40/09: The Head of Finance provided an update on the Capital Project Property Developments. She highlighted:
- The Application in Principle (AIP) is now ready to be consolidated into one document but there is no guidance from the LSC on how to proceed with the application. She reported that the Head of Estates and Facilities is trying to contact the LSC's Regional Property Advisor for guidance on how to proceed.
 - The current funding has been allocated to 13 projects with the next funding round not expected until 2011.
 - The financial documents have been completed as a full project but have separately identifiable costs for each element.
 - The agreed room changes and the hire of additional space in 2009/10 to alleviate the shortage of space during the day.

A discussion followed and a number of questions were asked and answered, including:

- All rooms are in the process of being adapted for the change of use and, if necessary, they could easily be changed back.

- It is difficult to assess the potential income generation for each element but this will be considered and will be necessary if there is a need to prioritise the individual projects.
- The College would have had to fund £3.5 to £4.5m if the full project had been approved.
- A shorter, and presumably cheaper, lease is one of the options that could be explored with the Salt Foundation.
- Although very tight the College will be able to accommodate the 2009/10 daytime provision.

The Principal thanked the Head of Finance and the Head of Estates and Facilities for all their hard work in getting the AIP to its present stage. He explained that the College would be exploring alternative funding opportunities but the next opportunity for a large Capital bid is likely to be in 2011.

The Chair, on behalf of the Committee, thanked all the staff involved for their hard work in preparing the AIP.

The report was received.

- (b) 43/09: The Head of Finance reported that the AOC had increased their pay offer from 1% to 1.5% and this would be considered further under later agenda items.

51/09 To consider and recommend to the Corporation the 3-year Financial Forecast Return to the LSC

The Head of Finance presented the series of documents that Members needed to consider in order to recommend to the Corporation the 3-Year Financial Forecast Return. These were:

- **The detailed Commentary on the July 2009 update of the Financial Forecasts for 2009-2011**

The Head of Finance took Members through the commentary highlighting the emboldened sections.

Members noted that:

- (i) Only 2 out of 6 target indicators had been achieved and that this is mainly as a result of the effect of the write off of the capital project costs to date and the assumption that no further fee support will be received from the LSC and the curtailment of the E2E contract. A financial health score assessment of satisfactory for the 2009/12 period is now likely, subject to the achievement of projected levels of income.
- (ii) The Financial Forecasts should be adjusted to follow AOC guidance on pay.
- (iii) The level of spend on long term and routine maintenance has been increased as a result of the curtailment of the Capital Project.
- (iv) The actual rent payable from January 2010 has yet to be set by the Salt Foundation but a minimum 20% increase on the current rates is expected.

- **Summary of main assumptions**

The Head of Finance took Members through the main assumptions. She explained that the 2008/09 income target of £137k was achieved and that the 2009/10 income target is £416k. The income target in 2010/11 and 2011/12 are much larger as a result of the end of the SRIP Project. She asked members to note that the

assumed income from the E2E contract is still to be confirmed. Members agreed that the income targets were very challenging.

The Principal informed the meeting that approximately £100k of income had been identified but that still leaves a challenging target of approximately £320k. He reported that Government funding of projects is down and as a result there are fewer opportunities to bid for external grants and those that are available are being chased by many organisations. He explained that the SMT will be concentrating on looking to identify funding opportunities and that he would report back to the next meeting.

- **Form 1: Income**

The Head of Finance took Members through the main variances since the previous forecasts highlighting, in particular, the loss of £59k from the curtailment of the E2E contract and the reduction in Tuition Fee income.

- **Form 3: balance Sheet**

The Head of Finance emphasised the impact on the accounts of the Pension Liability as a result of FRS17.

Following a discussion it was agreed to recommend the 3 year Financial Forecast Return to the LSC subject to the discussion and recommendation on pay.
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52/09

To receive a progress report on the operational effectiveness of the Risk Management Plan with respect to financial issues

The Principal presented the item and referred Members to the elements which had already been considered in some detail by the Committee. He highlighted, in particular, the shortfall on tuition fee income (2i) and that the College will be vigorously chasing funding opportunities to meet the income target (2n)

The progress report was received.

53/09

To consider further a recommendation to the Corporation for the pay and remuneration of staff

The Principal introduced the item and informed the meeting that with a large income target to meet some organisations would consider a pay freeze. On the other hand staff look forward to a pay rise and it will be with their good will that additional income will be achieved. As a balance between the two he proposed that the Committee should consider matching the AOC offer of 1.5%.

Members considered the proposal and discussed that if the AOC offer is increased then the College could not afford to go higher. They also noted that pay outside the public sector is going down. A number of different pay options were considered including capping the 1.5% pay rise at £500.

A discussion on pay as a percentage of income took place with members noting that the College, at 72%, is 4% above the Sector average and that if the 4% was removed that would solve the income target. The Head of Finance agreed to provide pay as a percentage of income over the previous 10 years to the next meeting. Members suggested that these ratios need to be looked at and staffing options considered.

The Principal agreed to come back to the next meeting with an outline option paper.

Following a discussion it was agreed to recommend to the Corporation that a decision on a pay rise is deferred until the next F&GP and Corporation meetings in September and October respectively and for the Financial Forecast Returns a 1.5% pay rise is projected but that it is made clear in the text that this is still to be agreed.

54/09 To consider the 2009/10 estimates of income and expenditure for recommendation to the Corporation

The Head of Finance took Members through the proposed estimates of income and expenditure for 2009/10. She informed the meeting that the proposed budget includes an assumed pay rise of 2% and following the previous discussion this will need to be adjusted to 1.5%.

Members agreed to recommend the proposed estimates of income and expenditure for 2009/10, adjusted for a 1.5% pay rise, to the Corporation for approval.

55/09 To consider any changes to Financial Regulations

The Head of Finance presented a paper in which she requested F&GP approval for some changes to the financial regulations in respect of:

- On line access to budget reports (3.3.8)
- Refunds (5.1.2)
- Procedure for courses outside the blueprint (6.1.2)
- Reimbursement of expenses policy and procedure (9.5)
- Receipt of Hospitality and Gifts (14.6)
- Register of Hospitality and Gifts (14.7)

A discussion on the two mileage rates of 40p and 17p took place. The Head of Finance reassured the meeting that there is a reasonableness test undertaken as to the rate to be paid and flexibility used, if appropriate.

Following discussion, these changes to the Financial Regulations were approved.

56/09 Any other business

- a) Dates of meetings to December 2009
- (i) Tuesday 22/09/09
- (ii) Tuesday 08/12/09
- b) The Chair of the Committee asked that the implications for the College of the raising of the Compulsory School Leaving Age are considered as a training item when more information is known.

There was no other business.