

**CORPORATION BOARD
FINANCE & EMPLOYMENT COMMITTEE**



Minutes of a meeting of the Finance & Employment Committee held at the Abingdon campus on Thursday 24th June 2010 at 6.00pm.

Present: David Doughty (Chair)
Sylvia Doyle
Bruce Hunt
Teresa Kelly (Principal)

In attendance: Di Batchelor
Miranda Coles
Jonathan Russell
David Bramble (Clerk)

Action

1. APOLOGIES FOR ABSENCE

Apologies for absence were received and accepted from Kevin Cull and Mike Gaston.

2. DECLARATIONS OF INTEREST

None.

3. MINUTES OF THE LAST MEETING

The minutes of the meeting held on 10th March 2010 were approved.

4. MATTERS ARISING

None.

5. DISCIPLINARY PROCEDURE

Di Batchelor presented the updated Disciplinary Procedure which was approved.

6. SAFEGUARDING

Di Batchelor advised that the coalition government had put the proposed Vetting and Baring legislation on hold pending a review. The College would continue to operate under the existing legislation. The budget had been prepared on the worst case scenario with a need for vetting for all staff.

The situation was noted.

7. TERMLY HUMAN RESOURCES DATA

HR data for January – April 2010 was reviewed and noted. The Chair asked if annualised figures could be included in future.

**Kevin
Cull**

8. LSC INCOME PROJECTIONS

Miranda Coles presented the paper on Mike Gaston's behalf. In summary:

8.1 Student Numbers and Funding 2009/10

- 16 – 18 standard learner numbers (SLN) targets exceeded by 6%. Funding target exceeded by 5%.
- Adult responsive (19+) SLN targets exceeded by 5%. Funding target exceeded by 3%
- Employer responsive (Apprenticeships, Train to Gain etc) 25% short of target.

LSC sub targets were of growing importance as they indicated the level of priority provision and hence possible future factors to funding allocations from YPLA and SFA.

It was felt that the Future Funding Factors were not of help to the Committee without more detail. They appeared to be more relevant to strategic planning.

Progress towards reaching LSC funding and numbers targets was noted.

9. MANAGEMENT ACCOUNTS TO 31ST MAY 2010

Miranda Coles presented the management accounts which continued to fall into the Financial Health Grade. of 'Good'. The Income and Expenditure account showed a surplus before adjustments of £334k compared to a revised budget figure of £261k. After pension and fixed asset adjustments the surplus was £85k compared to a budget amount of £11k. Income was very much in line with budget. Non pay expenditure was £88k below budget but pay costs exceeded budget by £11k.

Cash balance at the end of May was a healthy £1,939k. Cash flow incorporated staff restructuring costs in July. As detailed estimates for Witney project were not yet available, provision had only been made for acquisition of land and demolition costs.

Management accounts to 31st May 2010 were approved.

10. BUDGET 2010 – 11

Miranda Coles explained that the key driver considered when compiling the budget was the achievement of 2012 objectives. SFA and YPLA allocations had been received but the extent of the coalition government's cost-cutting measures would not be known until October and some assumptions made in preparing the budget may have to be revised. The budget was based on the following principles;

- To secure further improvements in student success rates and to provide the required resource levels to meet the growth in student numbers
- To demonstrate an increase in total income in order to move the College towards 2012 objectives
- To reduce pay costs by £1m following the staff reduction exercise
- To incorporate the revenue costs of the self-funded capital building project at Witney
- To provide a special projects fund which would enable additional investment in e-learning and provide a growth and development fund
- To provide a general College contingency
- To provide a surplus which could be reinvested in future activities

Risk assessments were shown against each income stream. Train to Gain and Full Cost Income, both rated as High Risk, would need careful monitoring. In view of these high risk items, elements of certain non pay categories would be withheld at the start of the year to provide a financial 'cushion' in the case of non-delivery. The total amount to be withheld was £1,381k allowing an income shortfall of 7% before the budgeted surplus was put at risk. Key highlights of the budget were summarised as follows:

	Revised Budget 2009/10	Draft Budget 2010/11	Growth
Income	£18,486k	£18,882k	2%
Non pay including contingency	£6,434k	£7,500k	17%
Pay costs	£11,687k	£10,756k	(8%)
Surplus before pension costs	£364k	£477k	3%
FRS 17 pension adjustment	£300k	£300k	0%
Adjusted surplus for year	£64k	£177k	3%

Income

Income was forecast to increase by 2% from £18,486k to £18,882k. YPLA had agreed an allocation for 16-18 learners of £8,970k, an increase of £551k on 2009/10. SFA grant for adult learners had decreased by 25% to £2,472k as a result of the analysis of 'priority' courses run by the College.

Pay Costs

The staff reduction exercise had produced a £1m reduction in salary costs with the loss of 19.98 FTE posts through voluntary redundancy, the closure of the nursery and a further 3.98FTE posts through applications for flexible working. Additional posts had been included in the budget for a hairdressing lecturer and a technician.

Non Pay Costs

Non pay costs had been increased to provide additional resources, fund Witney capital project, establish a special projects fund and provide a general contingency of £300k.

Capital (non Witney)

General capital expenditure of £250k was assumed which would provide additional investment in IT and curriculum equipment.

Surplus

Budgeted surplus before adjustments was £627k. Provision of £150k had been made to cover potential costs of shared services and a further £300k was provided for the FRS 17 pension charge. The surplus after adjustments was £177k.

In answer to a question, Teresa Kelly explained that it was anticipated that the national budget for Train to Gain would be further reduced or scrapped totally. It was hoped that this would permit further income to be made available for apprenticeships.

It was agreed that the proposed budget 2010 – 11 should be recommended for approval by the Corporation Board.

11. THREE YEAR FINANCIAL FORECAST 2010/11 – 2012/13

Miranda Coles explained that no assumptions for guidance in preparing the 3 year plan had been issued by SFA. In accordance with SFA instructions, the Witney capital project had not been incorporated in the plan because it was not yet approved. This decision resulted in a significantly different plan from that produced to the Board at Strategy Day on 22 May.

The assumptions underpinning the 3 year plan were as follows:

- Student numbers would continue to grow, as in the past years. Funding per student was not expected to increase
- Adult funding would be cut by 10~% over the next two years and a further 5% in the following year
- Full cost income was expected to grow by 10% over each of the next three years
- Staffing costs would reduce by £1m in 2010/11 as a result of the reduction exercise
- Provision would be made for modest6 capital expenditure over and above the Witney capital project.

Miranda advised that the health grade was calculated automatically and for the current year was 'satisfactory'. If the surplus could be increased to £75k the grade would change to 'good'. Future years should be 'good' and could even reach 'outstanding'.

It was noted that further work on the plan would be carried out during the next week. It was agreed to recommend to the Corporation Board that the three plan be approved in the knowledge that it was probable that it would change significantly if the capital bid for the Witney project was approved on 28 August.

12. PAY AWARD 2010 – 11

Teresa Kelly explained that discussions between the AoC and joint unions were ongoing and AoC were unable to make a recommendation at this stage. The strategy taken in preparing the budget was explained. The Committee was not asked to make a recommendation to the Board.

13. PROCUREMENT STRATEGY

Miranda Coles reported that until further guidance was received, the College would continue to follow the recommendations of an external agency and the internal auditors in its commitment to ensuring best value. Currently there were some areas of good practice but there was no consistency across the College. The paper included an Implementation Plan and it was noted that the aim was to complete all the recommended actions by 31 December 2010. Miranda thought it likely that a small Steering Group would be formed to monitor implementation.

It was agreed that the Committee should receive a report twice a year which should include an estimate of savings.

**Miranda
Coles**

14. OBJECTIVES AND SCHEDULE OF MEETINGS 2009/10 AND 2010/11

The Committee noted that the objectives for the current year had been completed. Proposals for 2010/11 were approved subject to the addition of reports on Procurement Strategy at the March and June meetings.

**David
Bramble**

15. ANY OTHER BUSINESS

15.1 Governor Training

Sylvia Doyle reported that she had attended an AoC/ LSIS Board Room briefing on 'Finance and Funding in Difficult Times'. She had been impressed by some very effective 'traffic light' methods of showing trends which she suggested the College might investigate. Miranda Coles agreed to follow up with Dudley College.

**Miranda
Coles**

Next meeting: Thursday 2nd December 2010, 6.00pm, Abingdon campus (may be brought forward subject to availability of financial statements).

Meeting ended at 7.45pm