

## GOVERNORS' MANAGEMENT COMMITTEE

### Minutes of a Meeting 1.30pm Tuesday 19<sup>th</sup> June 2012 Gordon Canning Room

**Present:** Mr Graham van der Lely (Chair) (GVdL)  
Mr Martin Baber (MHB)  
Mr Mike Burton (MB)  
Mr Jim Hickman (JH)  
Mr Edward Keene (EK)  
Mr Malcolm Wharton (MW)  
Mr Charles Whitehouse (CW)

**In Attendance** Mr Graham Ledden (GL)  
Mr Luke Rake (LR)  
Dr Stephen Waite (SW)  
Mrs Lesley Worsfold (LW)

**Apologies:** Mr Bob Barnett  
Mr Mark Davison

**Minutes:** Mr Rob Lee

		<b>ACTION</b>	<b>ACTION DATE</b>
<b>1.</b>	<b>Apologies</b>  Apologies were received from Mr R Barnett and Mr M Davison.		
<b>2.</b>	<b>Declaration of Interest – Paper GMC02/06/12</b>  The Clerk advised that Mr E Keene had declared an interest in agenda item 11. Mr Keene outlined the circumstances and it was agreed that he could remain for any discussion but not take part in any subsequent vote. The Clerk advised that member's interests would be taken as those disclosed in the Register of Members Interests. There were no further declarations of members interests for agenda items.		
<b>3.</b>	<b>Minutes of the Last Meeting – Paper GMC03/06/12</b>  Minutes of the meeting held on the 25 <sup>th</sup> April 2012 were agreed to be a true and accurate record and signed by the Chair.		

		ACTION	ACTION DATE
4.	<p><b>Matters Arising</b></p> <p><b>4.1. (4.3, 8.0) Update on Limbury Ltd tax issue.</b></p> <p>GL advised that we are in the process of transferring the properties from Limbury Ltd to Hartpury and we would therefore need a valuation to show that the transfer was an arms length transaction. Our solicitors are working on the conveyance. GL believes that the transfer may be completed by the end of this financial year.</p> <p><b><i>An update will be given to the next meeting.</i></b></p> <p><b>4.2. (5.0) Auditor opinion on release of provision for Dingle and Grange back into accounts and how to deal with the loss of milk income.</b></p> <p>GL advised that he has a meeting planned with Grant Thornton but they have confirmed that if we do not need the provision then it can be released. This would mean £120K could be released from the Dingle provision into the revenue account and whilst there was a provision of £36K for The Grange £24K has been spend on necessary works. The milk loss should also be included in revenue and a provision made as a bad debt.</p> <p><b>4.3. (5.0) Update on possibility of insurance cover for staff long term sickness.</b></p> <p>GL advised that we do not carry insurance for this purpose and on investigation it would not be relevant to the College.</p> <p><b>4.4. (5.0) Update on Farm Performance after meeting Velcourt.</b></p> <p>MW advised that the major concern was the pig unit that was losing money and a decision would have to be made relating to this operation in the future. EK advised that in meetings with Velcourt they had shared financial information which showed we were very competitive. MW advised that he was content with Velcourt continuing to manage our operations but there was a need to re-visit the agreement.</p> <p><b><i>Review the agreement with Velcourt.</i></b></p> <p><b>4.5. (5.0) Outcomes of the investigation into alternative business models for Hartpury Business. Paper GMC04.5/06/12</b></p> <p>This item is minuted in closed session.</p> <p><b>4.6. (6.0) Update on possible improvements in monitoring receipt of payments.</b></p> <p>GL advised that this investigation was carried out after the £106K loss on the milk contract. The new contract is paid each week and there is an immediate termination notice if money not received. GL confirmed that £500K of payments is received each week by the Finance Office. MW wondered whether there was computer software available to help in the early flagging of non payments.</p> <p><b><i>Investigations will be made to see if appropriate software is available.</i></b></p>	<p>GL</p> <p>MW</p> <p>GL</p>	<p>04/10/12</p> <p>Immediate</p> <p>Immediate</p>

		ACTION	ACTION DATE
	<p><b>4.7. (10.0) Update on the possibility of purchase of land.</b></p> <p>JH advised that he had been unable to make contact with the potential investor that he had in mind. There was a concern over the slowness of the process when possible land for purchase was identified. GL advised that funding from AMC would be on a case by case basis and if we would need to put a business case forward each time. EK felt that all potential purchasers would have to operate on the same basis. GvdL advised that we had not discussed how we might operate without the land we currently leased at Buttersend and whether we should have a strategy to rent rather than purchase. MW advised that there was new capital funding to a minimum of £2m to be made available and in response to CW MW advised that we needed to be sure of our priorities between the purchase of land and new buildings such as the proposed FE Learning Zone. In response to GvdL GL advised that the criteria for bids had slightly changed and whilst we only missed the last bid by 2 points they may not be as generous to land based colleges in this latest round. In response to CW MW advised that we need to know whether the purchase of land is a priority and we therefore need to update our strategic options paper to reflect the current situation. GL felt that Lloyds may be reluctant to borrow and we should look at other avenues. GvdL felt that we should not pursue the land alternative until we have a clear idea of our strategy over land and buildings. It would be difficult for the new Principal to make a decision at the moment but we still had the lease on Buttersend until 2017.</p> <p><i><b>It was agreed that we need to update our strategic priorities on the purchase of land and new buildings considering the borrowing potential from the banks, the capital funding available and the views of the new Principal.</b></i></p>	GL/RM/ GvdL	04/10/12
5.	<p><b>Discuss and Approve monthly accounts for April 2012 to include performance of College commercial enterprises, Employer Engagement and Hartpury Business. Paper GMC05/06/12</b></p> <p>GL advised that the results for the nine months to the end of April show an operating surplus of £251.5K compared to a budget surplus of £421.2K and represents a £169.7K adverse variance. For the same period last year the actual surplus was £689.0K. In response to GvdL GL advised that he had seen a draft of the May accounts and without the milk loss we would have been close to budget. GL outlined the major variances in income and costs. In response to EK GL advised that Sports Facilities adverse income is mostly due to shortfall in the hire of facilities. MW advised that we had been unable at first to secure a 6-a-side football league but this had now been actioned.</p> <p><b>GL outlined the performance of the Colleges commercial activities.</b></p> <p><i><b>The April Accounts were approved.</b></i></p>		
6.	<p><b>Discuss and recommend for approval College Budget 2012/2013. Paper GMC06/06/12</b></p> <p>GL advised that the proposed budget was based on bids from cost centre holders, FE and HE funding allocations and review of commercial enterprises. The budget provides an operating surplus of £394.7K before FRS17 adjustments on a total income of £25.9m. GL outlined the key assumptions in the budget. The performance to budget is very dependent on HE student numbers. We have a target of 532 new students but the budget is based on 461 which is in line with previous years. FE income is</p>		

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	<p>largely unchanged from this current year. The income from international is set at 15% growth which reflects the Governor KPI. As discussed earlier Hartpury Business budget does not reflect the savings outlined and GL proposes that this should be held as a contingency until the situation with HE is clearer. The budget for the Farm shows a modest surplus. The budget does not include any pay award. The cost of any increase would be approximately £107K per 1% increase. The budget shows pay costs accounting for 47.0% of income against 46.8% this year. In response to GvdL GL advised that information from the sector led him to believe that most colleges would not be giving a pay rise. The AoC in their negotiations with the unions have tabled a pay increase of ½%. GL advised that our cash flow will change because of direct dealing with HEFCE. In response to GvdL GL explained that we have not been in overdraft for 15 months and whilst the graph shows that we come nowhere near using this facility this is the month end situation and throughout the month it can be quite volatile. CW queried the capital sum allocated to Hartpury House as it was much higher than the £340K that had been approved. GL advised that this figure included other works. In response to CW GL confirmed that the extension to the Hartpury Arena would not be going ahead. In response to GvdL GL advised that instead of allocating capital to individual projects a larger fund had been allocated to the Discretionary Fund to give the new Principal some flexibility.</p> <p><b><i>The Budget for 2012/2013 is recommended to the Corporation for approval.</i></b></p>	Clerk	12/07/12
7.	<p><b>Discuss and recommend for approval College 3 Year Forecast 2012/2013-2014/2015. Paper GMC07/06/12</b></p> <p>GL advised that the 3 Year Forecast was based on a SFA formula. The starting point was next year's budget which had just been discussed. The surplus forecast for the three years is 2012/2013 £394K and 2013/2014 £447 and 2014/2015 541K. GL outlined the key assumptions in the forecast and advised that there were a number that needed consideration.</p> <ul style="list-style-type: none"> <li>❖ GL advised that occupancy rate of on site residential accommodation has been historically 96% relating to the on site rooms when they were all single occupancy. In recent years we have "twinned up all" of Catsbury and also the Dingle to create approximately 100 twin rooms. These rooms not only give additional capacity, but they also give us a buffer in the first few weeks of term when demand is at its peak. Once demand reduces and some students leave, the rooms in the Dingle are returned to single occupancy. Hence a more appropriate occupancy level is 95% of the increased capacity. MW felt that a better analysis would be by room and not by bed.</li> <li>❖ GL advised that staff costs as a % of income needed further consideration as in the past year we have taken on the UWE library staff with a total payroll of £185k and from 2012/13 we will bring in house the maintenance workforce with a total payroll cost of £243k. These two changes increase the % by 1.65%. So on a comparable basis the KPI should be moved from 47% to 48.65%. It was agreed that it should move to 48.5%.</li> <li>❖ After discussion it was agreed that the Farm Dairy subsidy should be moved in line with the projected performance for 2012/2013 and there should not be a more stretching target set for future years.</li> <li>❖ GL advised that Financial Health on the autoscore has again come out as inadequate, largely due to our gearing ratio and explained</li> </ul>		

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	<p>that he has moderated this to satisfactory as a new moderating criteria is permissible this year where cash flow exceeds net current liabilities.</p> <p>In response to CW GL confirmed that inflation was coming down and had been set at 2½% in the forecast. GL outlined the other assumptions that he had used within the forecast.</p> <p><b><i>The Three Year Financial Forecast to cover the period to 2014/2015 is recommended to the Corporation for approval with the above amendments.</i></b></p>	GL	12/07/12
<b>8.</b>	<p><b>Update on Capital Projects. Paper GMC08/06/12</b></p> <p><b>8.1. The Dingle</b></p> <p>GL advised that following a full tender process it is apparent that the previous indicative pricing for this project was incorrect. Tenders were received from 5 contractors and the two lowest (Barnwood Construction and Markey) were interviewed about their proposals. While the prices were quite similar, the Barnwood Construction solution involved a separate frame for the cladding and roof, which was felt to be a superior solution to Markey's approach of loading the existing structure with these additions. The contract for the works was therefore awarded to Barnwood Construction. GL explained that other elements, such as new boilers, plant room, heat recovery system, data cabling and landscaping have been added and together with fees it is expected the project will now cost £1.1m which is above the £1m that had previously been approved. GL advised that we have agreed a purchase route and price with the owners of the units of £491k plus VAT. In response to EK GL confirmed that this cost was included in the tenders. The bank facility of £1m is agreed with a 20 year profile and a rolling 5 year term and an interest rate of 3.85% over cost of funds.</p> <p><b><i>The project cost for the Dingle was increased to £1.1m to include all fees.</i></b></p> <p><b>8.2. Modular Building of 96 Bedrooms in New Vic Car Park</b></p> <p>GL explained that the project had been put out to tender, but it quickly became apparent that the time scales involved were so tight that some companies did not wish to tender. This situation arose because of the amount of enabling works (tree felling, movement of LPG tanks etc) needed prior to the contractors coming on site and it seems that the 31 August completion looked highly unlikely. The decision was therefore made to continue the tender but extend the deadline to 29 June to see if the works could be delivered during the Autumn / early Winter. If such an option is feasible and fundable then it is possible for students to be accommodated in bunker bins for a short period pending completion of the units. In response to GvdL MW explained that HE applications were being monitored closely. An analysis had been carried out on post codes and it had been found that nearly 200 students who had given Hartpury as first choice and by their post code would require accommodation had not booked a room. These students were being contacted. In response to GvdL MW advised that the tenders include a funding solution.</p> <p><b>8.3. Hartpury House</b></p> <p>GL confirmed that tenders had not been received for converting offices in</p>	GL	Immediate

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	<p>Hartpury House into 20 bedrooms and the lowest had come in at £450K which is higher than the original figure of £340K that had been approved. GL explained that there was a lower tender but the contractor had not visited the site. In response to EK MW advised that at the higher price the plan was still financially viable and at £22K a bedroom much cheaper than a new build. In response to MB MW confirmed that the bedrooms when not used by students would be operated as a conference hotel. GL advised that if approved this would mean moving some staff off site to Overton Farm.</p> <p><b><i>The conversion of Hartpury House offices into 20 bedrooms at a cost of £450k including fees was approved.</i></b></p> <p><b>8.4. Dingle 2</b></p> <p>GL advised that with the decision not to progress with the 96 modular rooms in the New Vic car park, we have decided to revisit the potential to build 50 twin en-suite rooms next to the existing Dingle block. This was the preferred option to the New Vic build, but the lack of planning meant that it could not be completed for this September. We have therefore instructed architects to draw up outline plans for submission to the planning authorities. These plans will incorporate a proposal to turn the main drive into two-way traffic so that the area around the Dingle can be fully pedestrianised and the two Dingle blocks integrated more closely with the Rudgeley complex.</p> <p><b>8.5. Renewal Grant</b></p> <p>GL advised that it has just been announced that there will be further Renewal Grant capital available in the amount of £120k to all Colleges to support economic growth, renewal and modernisation of college estates and rationalisation and efficiency. These funds need a 2:1 contribution from the College, making a £360k project. We are awaiting formal notification and then discussions will take place to agree a project.</p> <p><b>8.6. Enhanced Renewal Grant Application.</b></p> <p>GL advised that there was going to be a further round of Enhanced Renewal Grant with funding of up to £3m available which again has to be matched 1:2 with own funds. GL advised that we are considering resubmitting the application for a new FE Independent Learning Centre which had previously been costed at £2,820k. This would require a grant of £940k and our own funds of £1,880k. CW raised a concern over available cash as we had already agreed an extra £100K for both the Dingle and Hartpury House. GL advised that we had to draw the remainder of the £6m loan from Lloyds by July 2013 which had been utilised so far for Phase V11 Accommodation, Malcolm Wharton Centre and Gloucester Rugby facilities. In response to CW GL the final draw down of £568K would be at 35 points over cost of funds which is much cheaper than using overdraft. GL further advised that we would have to go to the bank for the £2m to cover the Colleges part of the funding of this application and this may prove difficult to obtain.</p>	<b>GL</b>	<b>Immediate</b>
<b>9.</b>	<p><b>Approve Lloyds Bank offer of £1,000,000 Term Loan Facility and authorise Hartpury College and Limbury Ltd Resolutions. Paper GMC09/06/12</b></p> <p><b><i>The bank facility of £1m is approved with a 20 year profile and a rolling 5 year term and an interest rate of 3.85% over cost of funds</i></b></p>		

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	<i>and the facility letter was signed together with the required resolutions.</i>		
<b>10.</b>	<p><b>Approve additional bank signatory for Limbury Ltd. Paper GMC10/06/12</b></p> <p>GL advised that with the works on the Dingle during the summer, staff holidays and change of Principal he would like to propose an additional signatory for Limbury Ltd.</p> <p><i>It was agreed that Mr Iain Williams would be an authorised signatory on the bank account of Limbury Ltd.</i></p>	<b>GL</b>	<b>Immediate</b>
<b>11.</b>	<p><b>Discuss office accommodation for Active Gloucestershire. Paper GMC11/06/12</b></p> <p>Active Gloucestershire had shown an interest in leasing offices in Hartpury House but as we had agreed to convert offices into student bedrooms there was no longer space available.</p>		
<b>12.</b>	<p><b>Approve write off of outstanding debts over £1500. Paper GMC12/06/12</b></p> <p>GL referred Members to the schedule of bad debts relating to 2005/2006 and earlier and explained that these debts are all fully provided and are considered non recoverable. In their review of Sundry Debtors the Internal Auditors requested that we comply with our own policy of writing off debts that are 6 years old. Financial Regulations require that Governors authorise write offs above £1,500 and the total amount is £84324.77. GL advised that he has also written off, within his authority, a further £69,992 of debts which are for less than £1,500 but are of a similar age and also deemed uncollectable. In response to CW concerning the high level of international bad debts GL advised that the process for international student payments has been changed and there should not be this high level of bad debt in the future.</p> <p><i>The write off bad debts of £84324.77 relating to 2005/2006 and earlier was approved.</i></p>	<b>GL</b>	<b>Immediate</b>
<b>13.</b>	<p><b>Any Other Business</b></p> <p><b>13.1. National Success Rate Tables</b></p> <p>MW issued a paper, which will be numbered GMC13.1/06/12, showing National Success Rate Tables for 2012/2011. LR advised that the tables are produced in the spring each year and contain data on all institutions' performance for preceding academic year. The College is top of all land based colleges and also local colleges for success rates at Level 3 16-18 which is the core business of most colleges. MW stated that these were outstanding results.</p> <p><b>13.2. Ofsted</b></p> <p>LR advised that there is to be changes to the way Ofsted inspect colleges and in brief the areas on which they will concentrate will be: -</p> <p>❖ They will approach FE Colleges in much the same way as they look</p>		

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	<p>at schools.</p> <ul style="list-style-type: none"> <li>❖ More focus on teaching and learning in the classroom but not outside of it.</li> <li>❖ They will expect College Principals to be like Head Teachers-to be involved in teaching and walking the patch.</li> </ul> <p>LR advised that we could be inspected from Autumn 2013 onwards. MW believed that if there was emphasis on the final point above it may be worth while considering a restructure-Chief Executive, Principal (FE) and Dean (HE).</p>		
<b>14.</b>	<p><b>Dates of future meetings all at 11.00am</b></p> <p>Thursday 4<sup>th</sup> October 2012</p> <p>Wednesday 21<sup>st</sup> November 2012</p> <p>Thursday 7<sup>th</sup> February 2013</p> <p>Wednesday 1<sup>st</sup> May 2013</p> <p>Thursday 20<sup>th</sup> June 2013</p> <p>Thursday 3<sup>rd</sup> October 2013</p> <p>Thursday 25<sup>th</sup> November 2013</p>		

**Mr Graham van der Lely**  
**Chair Governors' Management Committee**

**4<sup>th</sup> October 2012**