

FINANCE and GENERAL PURPOSES COMMITTEE

Minutes of a Meeting 11.00am Thursday 11th January 2018 Gordon Canning Room

Present: Mr Edward Keene (Chair)(EK)
Ms Ingrid Barker (IB)
Mr Russell Marchant (RM)
Mr Chris Moody (CM)
Mr Graham van der Lely (GvdL)
Mr Charles Whitehouse (CW)

In Attendance Ms Lynn Forrester-Walker (LFW)
Mrs Rosie Scott-Ward (RSW)
Ms Claire Whitworth (CW1)
Mrs Lesley Worsfold (LW)

Apologies: Mr Ken Nottage

Minutes: Mr Rob Lee

		ACTION	ACTION DATE
1.	Apologies Apologies were received from Mr K Nottage.		
2.	Declaration of Interest. Paper FGPC02/01/18. The Clerk advised that members' interests would be taken as those disclosed in the Register of Members Interests. There were no declarations of members interests for agenda items.		
3.	Minutes of the Last Meeting. Paper FGPC03/01/18. Minutes of the meeting held on the 21 st September 2017 were agreed to be a true and accurate record and signed by the Chair.		

		ACTION	ACTION DATE
4.	<p>Matters Arising</p> <p>4.1. (5.00.) Outline the reason for the cost overrun at Hartpury Ice.</p> <p>LFW advised that the RFU contract, which delivers qualifications nationally, is administered through Hartpury Ice. The sales had increased considerably and the corresponding costs are in Hartpury Ice.</p>		
5.	<p>Discuss and approve monthly accounts for November 2017. Paper FGPC05/01/18.</p> <p>LFW advised that the accounts for the first four months show a deficit of £1407K compared to a budget of £1247K. LFW advised that the out turn reflects the additional costs being incurred for agency and contractor staff supporting MIS and IT Services. . The vacant posts have been advertised and should be filled over the next couple of months although there may need to retain some external consultancy until the end of the year to help with the new system in MIS. There is also a problem in MIS with absence due to illness which may continue for some time. LFW advised that planned maintenance costs were over budget but this should rectify its self by the end of the year. The higher transport costs are being investigated. LFW advised that looking at the trends the forecast out turn of £1.5m will be under pressure by up to £400K. LFW confirmed that there will be a full re-forecast for January accounts and we will outline how we will deal with the over spend. RM advised that the potential problem with the budget only became evident after the budget had been set. CM believes that we must make bigger provision for these types of issues as the organisation grows. RM confirmed that there is a contingency of £200K in the budget which has not been used. EK advised that MIS is a critical area for the College and governors should be aware of our plans and potential costs to rectify the current problems. RM advised that he will outline this in his Report to the January Board Meeting. EK questioned whether we had made a mistake going with the Unit E system or whether the problems are due to changing the system. LFW advised that we made a number of mistakes at the start of the project and developing our system outside of UWE is taking longer than we expected. LFW advised that the system is working well for FE and there is now a need to work on HE. RSW advised that students are not having the best possible experience because of the on-going work. EK advised we need to be clear in the commitments needed for this system and GvdL agreed and warned that we must not under estimate the on-going costs. RM advised that this was proving to be enormously frustrating but our system had not been sustainable. LFW advised that to end on a positive note Catering and the Farm were much improved on previous year.</p> <p><i>The Principal will outline in his Report to the January Board the plans and costs to rectify the on-going problems in MIS.</i></p>	RM	25/01/18

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<p>6. Discuss staff cost trends. Paper FGPC06/01/18.</p> <p>LFW advised that the Remuneration Meeting had requested information on the trend in staff costs. LFW has analysed the costs over the last four years using this year's budget as the fourth year. The table below shows the % change over the period.</p> <table border="1" data-bbox="351 436 925 1478"> <thead> <tr> <th></th> <th>Change over period %</th> </tr> </thead> <tbody> <tr> <td colspan="2"><u>Payroll</u></td> </tr> <tr> <td>HE</td> <td>37.7</td> </tr> <tr> <td>FE</td> <td>25.3</td> </tr> <tr> <td>Catering</td> <td>31.6</td> </tr> <tr> <td>Facilities</td> <td>64.2</td> </tr> <tr> <td>Sport</td> <td>62.5</td> </tr> <tr> <td>Other</td> <td>9.3</td> </tr> <tr> <td>Total Gross Pay</td> <td>26.1</td> </tr> <tr> <td>NI/Pensions</td> <td>58.9</td> </tr> <tr> <td>Total</td> <td>31.4</td> </tr> <tr> <td colspan="2"><u>Changes in Staff FTE</u></td> </tr> <tr> <td>Teaching</td> <td>17.5</td> </tr> <tr> <td>Other</td> <td>10.6</td> </tr> <tr> <td>Total</td> <td>13.5</td> </tr> <tr> <td colspan="2"><u>Student Numbers</u></td> </tr> <tr> <td>FE</td> <td>18.9</td> </tr> <tr> <td>HE</td> <td>6.9</td> </tr> <tr> <td>Total</td> <td>13.1</td> </tr> <tr> <td><u>Pay Awards</u></td> <td>5.3</td> </tr> <tr> <td><u>Income</u></td> <td>22.2</td> </tr> <tr> <td><u>Surplus</u></td> <td>90.0</td> </tr> </tbody> </table> <p>LFW advised that staff costs as a percentage of income had increased over the period from 49% to 52%. LFW advised that during the period Cleaning that had been outsourced was transferred back and the Sports Academy grew due to the development of Women's Rugby, Rowing and the growth of costs related to Hartpury RFC. CM believed that Hartpury RFC should be taken out. LFW agreed that it should be taken out as it is a separate company and therefore should be treated as Rudgeley Ltd. CM added that Hartpury RFC was significant and governors need to be aware of performance. LFW agreed and will add it has a line in our commercial activities. LFW advised that there has been a significant change in staff costs relating to £1.3m increase over the period in NI and Pension costs. CM questioned whether we have thought of using a separate pension scheme rather than the LGPS for new employees. LFW advised that we had less staff in the LGPS and RM added that we are not the highest payers and</p>		Change over period %	<u>Payroll</u>		HE	37.7	FE	25.3	Catering	31.6	Facilities	64.2	Sport	62.5	Other	9.3	Total Gross Pay	26.1	NI/Pensions	58.9	Total	31.4	<u>Changes in Staff FTE</u>		Teaching	17.5	Other	10.6	Total	13.5	<u>Student Numbers</u>		FE	18.9	HE	6.9	Total	13.1	<u>Pay Awards</u>	5.3	<u>Income</u>	22.2	<u>Surplus</u>	90.0		
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	<p>the LGPS was an attraction.</p> <p><i>The monthly Management Accounts will be amended to include the performance of Hartpury RFC.</i></p>	LFW	When Available
7.	<p>Discuss proposal for the construction of Sports Academy2 Phase 2. Paper FGPC07/01/18.</p> <p>LFW updated the progress with the construction of Sports Academy 2 Phase 1. LFW advised that there is still £1.7M of work to be let and the current cost performance was outlined. CW noted that the project was currently £150K over the original budget with still a considerable amount of lots to be costed. RM advised that the original costings were three years old and therefore expected there to be a difference. CW advised that we had agreed the budget for this project in January 2017 and since then the design had been reviewed and a saving of £300K had been suggested. RM advised that some significant costs had not been included in the original proposal such as the bus park. CW believed that the cost of the external works agreed in the original budget included the bus station. LFW advised that there are still risks with this project. Firstly the uncertainty in the actual costs of unlet Lots and the impact on the overall budget and secondly the lack of flexibility in the time plan due to recent bad weather.</p> <p>LFW outlined the reasons for the proposal to build a mezzanine in the existing sports hall. LFW explained the new build was always planned as the initial phase of the overall development and was aimed at enabling the existing sports academy's sports hall to be developed with the construction of a mezzanine floor enabling four large classrooms to be developed upstairs with the ground floor developed into strengthening and conditioning areas and therapy suites. The need for Phase 2 was the increasing number of both HE and FE students and the need for larger classroom and gym space. LFW advised that for the development to have a minimal impact on curriculum delivery the work needs to commence in early April with a planned completion in late August or at the latest early September. Thus if work cannot start this April we will need to wait until April 2019. LFW explained that an April 2018 start would be the most cost effective as F3 and sub-contractors will be still on site and work would be a variation to the original contracts. LFW advised that F3 have developed an outline budget for this work, based on the latest plans and this indicates the build costs will be £1.375m (exc. VAT), plus an allowance of £340k for F F & E (exc. VAT). The costs include a risk allowance of £150k (exc. VAT). These costs assume that the current floor in the Sports Academy will not need to be replaced, although further investigative work is required to confirm this. These costs indicate the overall budget including VAT for this phase of work will be £2.06m. LFW advised that the costs have been modelled through the current cashflow forecast and there is a period from September 2018 through to April 2019 when the College will exceed its current overdraft limit of £1m, with the peak need being an overdraft of £2.6m in January and April 2019. The Bank is considering this increase in the overdraft and if there answer is no then we will have to wait 12</p>		

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<p>months. RSW advised that not developing the current sports hall will have serious impact on some students as our current facilities were overstretched and we are already turning business away from the Therapy Centre. CW noted that there was an increase in the cost of Phase 2 from that agreed in January 2017 from £1762K to £2060K and that when agreeing to the overall budget this was on the basis of staying within our £1m overdraft plus the £4m loan. CW added that with the cost overrun on Phase 1, the increase cost of Phase 2 and a possible shortfall in this year's surplus we could be £1m worse off. RM agreed that we will need an increase in the costs for Phase 1 and 2 from £8.8m to £9.2m but the shortfall to budget was a different scenario and needed clarification through the re-forecast taking place. EK questioned that as the re-forecast had not yet been done was the overdraft forecast sufficient. LFW confirmed that this was the worst case scenario. In response to GvdL LFW agreed that if we do not start Phase 2 then we will stay within our overdraft. In response to EK LFW advised that the £150K risk allowance in Phase 2 costs were to cover the costs if the floor had to be replaced. In response to CW RM advised that we would have one fit out contractor and the costs included all equipment. EK asked about recruitment for next year as this was critical to our finances. CW1 advised that FE applications were slightly up on the same period last year and we were focusing on improving our conversion rate. RSW advised also that applications are up and student numbers would be increased because we have a large first year and small third year. CM advised that had he not seen the latest Management Accounts that signal a possible shortfall to budget then he would have supported this project. Now there is an element of risk that needs to be better understood and approved by the Corporation. RM advised that he would not expect to be £400k short to budget and was advocating using the overdraft strategically. In response to EK RM agreed that we need a response from the Bank by the next Corporation Meeting. CW advised that managing the project in the way we are doing makes us uncertain of the final costs but we know we will be over budget. CW felt there was also a time risk in developing Phase 1 and 2 together then we could be without both and agreeing to Phase 2 will mean that we are unable to consider any other opportunities. LFW advised that they had already looked at a possible delay and confirmed that we could live with a short period. RM advised that Phase 1 would have limited value without Phase 2. CM believed that we need to see further analysis of final cost outcome of Phase 1, confirmation of shortfall to budget and further details on cashflow. In response to EK LFW advised that she would not be able to complete the re-forecast by the next Corporation Meeting. GvdL advised that the increase in the overdraft was due to the shortfall to budget last year and potentially this year plus the increased costs of the project. RM believed that there were always going to be cash flow issues. CM stated that if the £1m overdraft was not adequate when the project was approved then we agreed to something that was not true. Even if we are on budget we will not come within our overdraft facility and this may affect the decision of the Bank.</p>		

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	<i>It was agreed that a further paper will be presented to the next meeting of the Corporation clarifying the concerns outlined in the discussion.</i>	LFW	25/01/18
8.	<p>Update on Capital Projects. Paper FGPC08/01/18.</p> <p>8.1. LEP Bid</p> <p>LFW advised that this bid has been submitted to the LEP to utilise underspent funds within the current growth Deal funding. The bid is for the development of a centre to provide an innovative and forward thinking, STEM based approach to Agri-tech and science that is accessible to producers and processors, radically improving productivity of livestock and ultimately culminating in a high quality product for the consumer. LFW explained that the 'Tech to Plate' concept consists of an Agri Tech Centre aimed at using technology to improve productivity whilst also measuring impacts all the way to the consumer's plate. The College plans to develop the Agri Tech Suite within the Farm to develop and test smart farming techniques. The total build and fit out costs would be £2m. LFW confirmed that there will be no cash flow implications. A presentation had been made to the LEP and feedback was positive. RM believed that we may not be successful but it was important to get in to the pipeline. GvdL would like to see a more detailed Business Plan particularly on income. RM confirmed that this will be discussed at the next LEP Board on the 25th February 2018.</p> <p>8.2. Gloucester Docks Development.</p> <p>No further update.</p> <p>8.3. Unit E</p> <p>This subject had been discussed earlier.</p>		
9.	<p>Note Letter from the Chief Executive of the Education and Skills Funding Agency. Paper FGPC03/01/18.</p> <p>The contents of the letter were noted.</p>		
10.	<p>Any Other Business</p> <p>There was no other business.</p>		

		ACTION	ACTION DATE
11.	<p>Dates of future meetings all at 11.00am.</p> <p>Wednesday 25th April 2018 Wednesday 27th June 2018 Wednesday 3rd October 2018</p> <p>Wednesday 16th January 2019 Thursday 9th May 2019 Wednesday 26th June 2019 Wednesday 9th October 2019</p>		

Mr Edward Keene
Chair Finance and General Purposes Committee

25th April 2018