

BASINGSTOKE COLLEGE OF TECHNOLOGY CORPORATION

FINANCE & RESOURCES COMMITTEE

Minutes of a Meeting held on Wednesday 23 June 2010 at 5.00pm

Membership:	*	Lynne George	Member	Chairman
	*	George Batho	Member	
	*	Anthony Bravo	Principal	
	*	Mike Howe	Member	
	*	Gary Livingstone	Member	
	i	Richard Wareham	Member	
Quorum:		3 Members required	5 present at start	Meeting quorate
In Attendance:	*	Simon Burrell	Clerk to the Corporation (Clerk)	
	ii	Graham Fox	European Electronique BCOT Client Director	
		Sarah Meeson	Director of HR (DHR)	
	*	David Moir	Deputy Principal Finance & Resources (DPFR)	
	*	Brian Theobald	Head of Finance (HOF)	
	*	Present at meeting		
	i	From Minute 218		
	ii	Minute 218 only		

PART 1 – NON CONFIDENTIAL MINUTES

218. IT STRATEGY

Graham Fox tabled a copy of the draft 5-year ICT Strategy for the College. He took Members through the draft Strategy and outlined the key areas contained in it. In particular he highlighted the proposed developments to a number of IT systems, improvements to the telephony system, the introduction of cashless catering for students and the implementation of a virtual desktop environment. He also outlined further potential applications that could be implemented at a later date.

Graham also advised on the development of a 'partnership' relationship with the College. He advised that he saw this being achieved through an open and honest relationship, and through developing and sharing a joint vision. He also stressed that his company saw BCOT as a strong and important voice in the FE Sector, along with CISCO who wanted to use the College as a reference site for their purposes.

(Richard Wareham joined the meeting)

In response to a question from a Member Graham advised that all survey and due-diligence work had been undertaken, ongoing progress was good, and that he was due to submit his final equipment requirement needs in the very near future.

Members requested that when the new systems were operating all Corporation Members should be invited to view the operation of the new ICT around the College and to see how the students were using it. **ACTION: Principal/DPFR**

219. BUDGET 2010/11

A written report was received and considered. The DPFR referred Members to the Executive Summary for the budget and advised that, overall, the budget looked acceptable. However, the implications of the Government's Emergency Budget were not yet known and, therefore, not included in the budget proposal. He did stress that with regards to the proposed increase in VAT from 1 January 2011 he anticipated that this would cost an additional £40k for the remaining 7

months of the 2010/11 year, and that he planned to absorb this additional cost in the proposed budget. He advised further that the proposed budget showed an operating surplus of £498k

The DPFR also advised that there were two changes that needed to be made to the proposed budget before submission to the Corporation. Firstly, it had been decided to return catering to an in-house facility from the new academic year and that the appropriate income and expenditure details needed to be added. He stressed that bringing the catering back in-house would have a net nil cost to the budget.

The second change related to essential repairs and maintenance of the College's building stock. The DPFR highlighted the need to expend further sums in summer 2011 on essential repairs and maintenance and that he expected these costs would be partly incurred in 2010/11 and partly in 2011/12. The detailed programme of works for summer 2011 would not be determined until later but for budget purposes the DPFR advised that a sum of £350k should be provided for the element of works that would be completed by 31 July 2011. The addition of these costs in the 2010/11 budget would result in a deficit for that year. Members stressed their concerns at this and proposed that the budget papers make clear that these additional property costs were being funded from accumulated reserves generated in previous years.

In response to questions from Members the DPFR advised that the implications of the previous day's emergency Government budget would not be known until October 2010, and that if further cuts were required to be made, a major review would be undertaken then. He also took Members through the planned income sources and highlighted the potential risk to a number of these areas that were all subject to a number of external influences outside of the control of the College. The DPFR stressed that the implication of any reduction in income levels would have an adverse effect on potential expenditure, and that further cuts would be needed in order to achieve a balanced budget.

In reviewing the non-pay costs in the proposed budget, the DPFR advised that funding for appropriate elements of the ICT strategy was included. However, because of the large capital investment (£1.5m) planned for 2010/11 depreciation costs would increase dramatically.

1. Pay Award 2010/11

The DPFR advised that the proposed budget included a two-stage pay award, based on 1% at 1 Aug 2010, and a further 0.5% from 1 Feb 2011. The total cost in 2010/11 would be £147k (full year equivalent £180k). However, he stressed that, at the present time, the SMT felt that there was too much uncertainty over future funding and the need to make expenditure cuts in order to be confident to commit such costs. He also highlighted that the Government had proposed a two-year pay freeze for people earning over £21k in the previous day's emergency budget. Finally, he advised that the outcome of the national pay award negotiations would not be known until the autumn. Accordingly, the SMT proposed that a final decision on whether to make a pay award be deferred until December 2010.

2. Capital Budget Proposals

The DPFR advised that the majority of the capital programme was related to the ICT Strategy. However, he had made provision for £200k towards Other Equipment and £150k for building improvements and refurbishments, making a total of £1.85m (all figures inclusive of VAT). He stressed, though, that there could be some virement between the three areas, but the overall capital budget of £1.85m would not be exceeded.

3. RECOMMENDATION

It was RESOLVED to RECOMMEND to the CORPORATION that:

- 1. The 2010/11 budget be agreed, subject to amendment to include an adjustment for operating the catering in-house and an additional provision for essential repairs and maintenance, based on an operational surplus of £498k before adjustment and a deficit of £132k after providing for exceptional property maintenance – such costs to be funded from accumulated reserves.**
- 2. The capital budget be agreed at £1.85m, based on £1.5m ICT strategy, £200k other equipment, £150k building improvements and maintenance.**
- 3. A decision on a general pay award be deferred until December 2010.**

(Proposed by Mike Howe, Seconded by George Batho)

220. PROPERTY STRATEGY UPDATE

The DPFR tabled a schedule prepared by Drivers Jonas Deloitte outlining a range of projects that would need to be undertaken over the next 10 years in order to extend the life expectancy of the existing College estate and improve the learning environment. The main thrust of the schedule included campus-wide initiatives that would involve carbon reduction, improved signage, improved security, improved community access and accessibility/DDA works. He advised on the background to a number of the proposals, and highlighted the opportunities available to vacate Davy Close and the BETA site if appropriate re-modelling and new build works were undertaken on the Worting Road site. He outlined the potential cost savings that could be achieved over the 10 year period of the schedule.

In order to fund some of the schemes outlined in the schedule, the DPFR advised that College cash reserves would be utilised along with the need to obtain bank loans. The availability of funding would limit what could be achieved.

The DPFR advised that the summer 2010 works programme would include urgent ongoing essential repairs and maintenance projects, costed at £513k plus VAT. He also advised that architects had been appointed in order that more detailed work could commence on specific projects in the near future.

The report was noted.

221. THREE YEAR FINANCIAL FORECAST 2010/11 – 2013/14

The HOF tabled a report. He advised that the forecast was based on a range of assumptions, and included £6m capital spend on buildings, with £4m borrowed from the Bank. He took Members through the income and expenditure account.

The DPFR advised that the forecasts for 2012 and 2013 included further cuts in adult funding, and included £500k for exceptional maintenance per year. It was noted that if the property costs were excluded the forecasts would generally show a breakeven position. He also stressed that if there was a continued decline in income there would be greater pressure on cost reductions in order to stop the College moving into a deficit position.

The HOF referred Members to the financial performance indicators (FPIs) shown in the accompanying report. He advised that if the proposals in the forecast were followed there would be a decrease in some of the key FPIs, the 'gearing' would rise in excess of 23%, and the balance sheet would not look as strong.

The DPFR raised the question as to whether the Corporation was prepared to accept the risk associated with a capital programme funded by loans. He advised that it would have a negative impact on the financial health grade, currently 'Outstanding', and that it would reduce to 'Good' and could go down to 'Satisfactory'. This profile could further worsen if further funding cuts were applied in the future.

Members requested that the forecast be re-modelled to remove the capital element of the programme, and to illustrate ongoing three year 'tracking' plus making provision for continuing essential maintenance works. They also stressed that the financial health grade should not fall below 'Good'. The capital programme is to be modelled separately at a later date when specific proposals are being considered.

ACTION: DPFR/HOF

222. APOLOGIES FOR ABSENCE

None received.

223. DECLARATIONS OF INTEREST

There were no declarations of interest made.

224. NOTIFICATION OF ANY OTHER BUSINESS

The DPFR notified two items of Any Other Business.

225. MINUTES OF THE PREVIOUS MEETING

The Minutes of the meeting held on 19 May 2010 were confirmed as a correct record and were signed by the Chairman.

226. MATTERS ARISING

There were no Matters Arising raised, not discussed elsewhere on the agenda.

227. MANAGEMENT ACCOUNTS 2009/10

The Management Accounts for the period to 31 May 2010 were received and noted. The HOF advised that he felt the current end of year forecast surplus could be exceeded slightly, as income was on target and expenditure costs were showing some positive variances. However, after applying any year-end accruals he anticipated the final forecast would be closer to the forecast £507k, less the £400k provided for exceptional building works.

228. STUDENT TRAVEL PROPOSAL FOR 2011/12

The HOF tabled a report outlining costs for the student travel subsidy scheme operated by the College. He advised that following a reduction in student uptake and a lower than expected annual rail pass increase, the overall cost of the scheme will be less than was budgeted.

In reviewing the scheme the HOF advised that the SMT had set a discount for 2011/12 of: rail subsidy – 55%, bus subsidy – 25%. The estimated expenditure for travel subsidy in 2010/11 would be £161,500 based on known ticket prices and an estimated 2% increase in uptake on 2009/10 student participants.

The SMT had also proposed to keep the same level of subsidy for 2011/12. The HOF advised that the cost to the College, based on a 5% fare increase from 2011/12 levels and a further 2% increase on the planned student participants would be £172,600. He also advised that both figures were below the amounts contained in the 2009/10 budget.

It was RESOLVED that the student travel subsidy be set at: rail at 55% and bus at 25%, with a budgeted cost of £161,500 for 2010/11 and £172,600 for 2011/12.

(Proposed by Mike Howe, Seconded by Lynne George)

229. REVIEW OF FINANCIAL REGULATIONS 2010/11

A written report was received and considered. The HOF took Members through the report and highlighted the changes being proposed to the College's Financial Regulations. He advised that most of the changes were based on the demise of the LSC and the introduction of the Skills Funding Agency (SFA) and Young Peoples Learning Agency (YPLA).

It was RESOLVED to RECOMMEND to the CORPORATION that the amendments to the Financial Regulations be agreed.

(Proposed by Gary Livingstone, Seconded by Richard Wareham)

230. ANY OTHER BUSINESS

1. Purchase of House – Construction Dept Project

The DPFR advised that the Head of Dept had now identified a suitable property close to the College and had made an offer that had been accepted. The property was a two-story development with retail space on the ground floor and residential accommodation on the first floor. The Dept would seek a change of use in order to refurbish the property into a three bedroom residential development. The purchase price was £175,000 and the College intended to proceed with this as long as the valuation of the property, in a refurbished condition but with existing planning conditions, justified the anticipated expenditure required.

2. Car Parking

The DPFR informed Members on the introduction of a scheme to charge students for the use of the car park on North Site, starting in Sept 2010. He advised that discussions with the SU had been held

and there appeared to be a measure of support for the idea. The funds raised would be used to introduce a better policing system, ensure all users had paid, and to undertake enforcement of those that did not display appropriate tickets. Charges proposed were £0.50 up to 3 hours, £1 all day and a monthly ticket at a discounted rate. Any surplus funds generated would be given to the Student Union.

The DPFR also advised on his proposals regarding staff parking. It was noted that staff would be asked to vote on their preferred options, such as introducing a charging scheme, or offering a 'green payment' to those who opted to travel to work by other means.

231. DATE AND TIME OF FUTURE MEETINGS

(All meetings commence at 5.00pm unless otherwise stated)

Wednesday 1 December 2010

Wednesday 23 March 2011

Wednesday 18 May 2011

Wednesday 22 June 2011

(Meeting closed at 7.55pm)