



**MORLEY COLLEGE LIMITED
FINANCE & RESOURCES COMMITTEE**

MINUTES OF MEETING HELD ON 14 MARCH 2011

Present:

Paul Mason	(Chairman)
Karen Di Lorenzo	(Governor)
Laurence Elliott	(Staff Governor)
Mary Hawkey	(Student Governor)
Gareth Julian	(Governor)
Ela Piotrowska	(Principal)
Jenny Scribbins	(Chair of Governors)

In attendance:

Nick Rampley	(Vice Principal)
Michelle Punt	(Head of HR – Items 1 – Additional item)

Clerk:

Graham Cooper	(Clerk to the Governing Body)
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1. Apologies for absence

There were no apologies.

2. Minutes of the meetings held on 22 November 2010.

The minutes were agreed as a correct record and would be signed by the Chairman.

3. Matters arising from the minutes other than on the agenda

- a) **BEC Acquisition:** The Vice Principal confirmed that the SFA had now amended its systems to facilitate the payment of funding relating to the previous BEC provision direct to the College.
- b) **National Insurance:** The Vice Principal advised that the College had yet to assess any direct impact of the changes in NI bands effective from April 2011.
- c) **Alterations to the Curriculum:** The Principal confirmed that the flexibility available and the procedures for implementing changes to tutorial staff had been reiterated to management, and to CAMs in particular. The Chair of Governors noted that the issue had originally arisen in the course of discussion with Section Heads and asked that the CLT ensure that this issue continues to be managed and the message cascaded to all relevant staff.
- d) **HR Priorities for the current year:** Noting that a report had not been specifically prepared for the current meeting, the Head of HR advised that HR priorities for the current year had been included within the Self Assessment Report previously reviewed by the Committee.
- e) **Fundraising Strategy:** Whilst noting that Fundraising Strategy was an item on the agenda for discussion, the Principal advised that only the Chairman had volunteered to join the Fundraising Steering Group. The Vice Principal suggested that in view of the importance of fundraising in the future, it might be a skill that the Governing Body should specifically identify when setting

out desirable skills during its next search for new Governors.

- f) **Treasury Management:** The Vice Principal advised that discussions with CCLA and Royal London Cash Management had not yet progressed.
- g) **Mandates with holders of the College's investments:** The Clerk confirmed that changes to the mandates had been approved by the Governing Body.

The two agenda items relating to HR matters were taken first:-

8. Union Recognition (EP)

The Head of HR put forward a proposal for formal recognition by the College of the University College Union (UCU), presenting a draft recognition agreement for consideration by the Committee should it decide to approve recognition. She advised that 74 members of staff at the College were currently members of the union, and that it was highly unusual within the sector not to recognise unions. The CLT already liaises with the union over matters and believes that not to accept formal recognition would send the wrong signal to union membership. The Head of HR also made the Committee aware, however, that the College's legal advisors had cautioned against formal recognition unless the union uses the statutory process to obtain it. Under a formal recognition agreement, there would need to be proper bilateral agreement on contractual terms of employment and specified policies and procedures, which would affect management's autonomy as a decision-maker and the speed at which changes could be implemented.

The Principal emphasised that she had set out to manage the College in an open and consultative manner, that she considered it important for the College to be seen as a good employer and that she believed union recognition was an important aspect of that. She was therefore supportive of formal recognition.

The Committee debated the merits and pitfalls of formal recognition. Whilst all members were wholly supportive of an open and consultative approach on all relevant matters, a number of reservations emerged, particularly:-

- a) With only 74 members, as a body to negotiate with, the union would not be representative of the College's overall staff; and
- b) Some members of the Committee had poor experience of formal union recognition hindering the implementation of change, and highlighted the potential complications for the College's proposed review of curriculum and support areas.

The Chair of Governors suggested that there might be an alternative approach, which goes some way towards meeting the union's expectations but stops short of full formal recognition, with the matter then to be reviewed again in twelve month's time.

A consensus view was not reached and in view of time constraints the Chairman asked that the CLT give further consideration to the matter and that it be brought back to the next meeting of the Committee.

Actions: Union Recognition to be considered further at the next meeting of the Committee.

10. Disciplinary and Grievance Policies for Approval (NR)

The Head of HR had circulated revised drafts of disciplinary and grievance procedures. Earlier drafts had been presented to the previous meeting of the Committee, and then taken forward through a process on consultation with staff. The paper to this meeting summarised feedback received during the consultation process and management responses to the points raised.

In reviewing the feedback and management responses, the Committee discussed in particular the issue of whether staff should have the right to be accompanied at an investigatory meeting. The disciplinary procedure as drafted did not specifically make such provision, although did state that staff would have the right to be accompanied by a representative of a trade union or fellow worker at a

formal disciplinary hearing. The Head of HR advised that the inclusion of such a specific provision would be contrary to advice received, though in practice, the College would not unreasonably refuse a member of staff permission to be accompanied. The Committee also debated whether it was appropriate for the person accompanying a member of staff in any situation to be restricted to either a trade union representative or fellow worker. The Head of HR highlighted potential pitfalls arising from extending that right, and the Committee noted that such a restriction was common practice. Whilst accepting that the policies go forward as drafted without alteration regarding the right to be accompanied, the Chairman and Chair of Governors emphasised that it was the view of Governors that wherever possible, including at investigatory meetings, all staff should have the right to be accompanied by either a trade union representative or fellow worker.

The Committee agreed to recommend the policies as drafted to the next meeting of the Governing Body for approval. The Clerk confirmed that the policies were compliant with the College's Memorandum & Articles of Association.

Action:- Disciplinary and Grievance Procedures to go forward to the next Governing Body meeting for approval.

ADDITIONAL ITEM – Outcome of Industrial Tribunal

Whilst not on the agenda, the Principal took the opportunity to update the Committee on the outcome of a recent industrial tribunal for unfair dismissal by the College. Unfortunately, much to the surprise of the CLT and the College's legal advisors, the College had lost the case. The judgment was complicated, but essentially concluded that the College had not treated the former employee fairly. The College now had until the end of the month to appeal, and was taking legal advice on whether there were grounds to do so, though the decision on whether to appeal would also depend upon the College's insurers continuing to underwrite the costs. The likely amount of damages that the College would need to pay was as yet unquantified, though was thought likely to be something in the order of £13k.

[The Head of HR left the meeting]

4. Update on 2011-12 funding (NR)

The Vice Principal advised that the College had received further information from the SFA regarding its likely funding for 2011/12. His paper provided a breakdown by individual funding streams. Total anticipated funding for 2011/12 was £5,003,282 (2010/11 £5,154,186), representing a 2.9% cut. However, the Vice Principal advised that c£93k of this was related to 'job outcomes', which as yet remained undefined, and if it transpired that none of this amount could be claimed, the overall cut would amount to 4.4%.

The Principal highlighted that c £1m of the funding allocation came from the SFA's ASL budget, which funds non-accredited provision. Of the sector-wide ASL budget of £250m, the SDIs overall receive c. £10m, Whilst, under the current Skills White Paper, the overall budget was stated as 'safeguarded', understood to be for the next three years, there was no guarantee that the College would continue to receive it's current allocation. A consultation was due to take place over the summer, and it was expected that in the autumn, BIS would publish how this would be allocated going forward.

The Committee noted that the £2.2m element of the College's funding relating to Accredited Provision was likely to be cut in line with cuts across the FE sector as a whole, which would mean c. 25% over three years, of which 4% had been cut for 2011/12.

The extent to which the ACL-type element of the College's funding (c.£1.5m) may be protected or was 'at risk' was at this stage not known. The Vice Principal advised that ACL-type provision for 2010/11 was expected to be in the order of £2.08m, against a funding allocation of £1.635m, such that the College would have 'over provided' by c. £445k.

The Vice Principal's report also contained a reforecast, as required by the SFA, for the current year (a deficit of £68k), and for 2011/12 (a deficit of £115k). The Committee was provided with details of the

underlying assumptions, which the Chairman noted included the assumption that fee income would increase by 15%, albeit that the approved fee strategy aimed to grow fee income to a greater extent

The Committee noted the report, with concern regarding the overall ongoing uncertainty regarding future funding and the potential impact upon the College.

5. Improving the efficiency and effective use of resources – Review of College Support Services

CONFIDENTIAL MINUTE

6. Review of Pension Provision (NR)

The Vice Principal presented the Committee with an update on issues associated with pension provision to the College's staff. He provided a summary of the background to the current debate, an outline of the financial implications of changing the current arrangements, and of the current unsettled landscape regarding public sector pensions with further action and advice expected in the coming months. He concluded by recommending that the College should continue to offer membership of both the Teachers Pension Scheme and the Local Government Pension Scheme as appropriate to all staff, with the position to be reviewed further in a year's time once the impact of the final report of the Independent Public Service Pensions Commission and the introduction of workplace pension schemes under the Pensions Act 2008 are better understood.

The Vice Principal also referred to the recently published report of the Hutton review of public sector pensions and its recommendation that pensions should change from a final salary basis to a pay-out based on average pay over a worker's career. He expressed the view that, whilst the report has prompted expressions of outrage by some, it did uphold the principle of employers providing some form of pension, and supported the principle of having a defined benefit scheme. The Vice Principal also highlighted the consequences of any decision to close the current scheme to new members at this stage, being a significant increase in contributions to make up the perceived shortfall in the value of the fund. He did not consider it appropriate for the College to be taking this on such an additional financial burden at this time, given the current financial climate.

The Chairman highlighted the unsatisfactory situation with regard to the ongoing uncertainty as to whether the College has the status of a 'designated body', and as such has the flexibility to offer an alternative scheme to the LGPS, colleges generally being obliged to offer membership.

The Committee agreed to take no action at this stage and that a further review should be undertaken in twelve months time. The Chairman would update the full Governing Body at its meeting on 4 April.

Actions:-

- i) Chairman to update the Governing Body on the Committee's decision.**

7. Fundraising Strategy (NR)

The Principal presented the College's fundraising strategy, highlighting the external context and the increasing importance that fundraising would take in raising new financial resources to meet on-going and future demands. These included the realisation of the College's property strategy, refurbishment plans, ways to support its most disadvantaged students, and support for other activities which promote the role of Morley within the adult learning sector. The Principal's paper covered the outline aims of the fundraising strategy, plans for supporting the growth of funds and implementation of the strategy, resources that would be required, and future monitoring and review.

The Principal explained that the College did not currently have the internal capacity to manage the proposed strategy, and one element of the proposals was therefore the recruitment of a fundraising project manager, which the Committee was asked to endorse. She explained that some provision for this had been made in the current year budget. The Committee stressed the importance of attracting an individual with the necessary level of skill, and various alternative approaches were considered,

including the possible need to attract someone at a higher level initially in order to establish the programme. The Vice Principal emphasised that the CLT were looking for someone who could demonstrate commitment to the College and speak with passion, buying in fully to the College's values. If an initial approach to the market as proposed failed to bring forward a candidate with the necessary skills, a re-think might be needed.

The Committee endorsed the strategy and proposed way forward, stressing the importance for clarity in what the College is intending to raise funds for, and the difference that this can make to the success of fundraising activity.

9. Capital Expenditure and Development Plan (NR)

The Vice Principal provided an update on capital expenditure to date and committed in respect of the annual capital budget, together with an update on the Capital Development Plan.

a) Capital Budget

The Vice Principal provided a breakdown of expenditure incurred or committed during the current year. The Committee noted that this totaled £219k out of a budget of £300k, meaning that the end of year position would be a £80k underspend, unless there are any unforeseen items arising. The Vice Principal advised that the depreciation charge in the revised forecast included in the latest FMR had been reduced as a consequence.

b) Capital Development Plan

The Vice Principal reported on projects completed to date and also sought approval to progress the following projects, with an explanation of the rationale and cost estimates provided for each:-

- (i) External Lighting and Signage (£30k)
- (ii) Upgrading of telephone system (£60k)
- (iii) Refurbishment of the Holst Room (30k)
- (iv) Modernisation of the Ceramics Studio (£142k)
- (v) Refurbishment of the Sculpture Studio (Pelham Hall) (£169k)
- (vi) Expansion of the current Fashion studio and creation of an additional studio (40k equipment + building work)
- (vii) Renewal of the College's network server hardware (£204/£244k)

The Chair of Governors advised that the Property Strategy Committee had considered each of these proposals, with business cases provided for some, but not all. Whilst there were no projects that the Committee had thought were not a good idea, there had been questions relating to the adequacy of some of the information provided, including questions regarding enrolment projections for Fashion and numbers of students using Pelham Hall. This had given rise to discussion that a standard template should be developed and completed for all proposed projects, and clarity established as to the responsibilities of the Property Strategy Committee and the Finance & Resources Committee in the evaluation and approval of projects.

After considering each of the proposals, the Committee agreed the following:-

Items (i) External Lighting and Signage (ii) Upgrading of telephone system, and (iii) Refurbishment of the Holst Room, were approved to go ahead.

Items (iv) Modernisation of the Ceramics Studio and (v) Refurbishment of the Sculpture Studio, to be progressed to the next stage of tendering and brought back to the next meeting of this Committee for further consideration.

Item (vi) Expansion of the current Fashion studio and creation of an additional studio. On the basis that the estimated costs, this was intended to be met by way of a first call on next year's capital budget, rather than from the development reserve, the Committee noted that approval for this would fall as part of the 2011/12 budget approval process.

Item (vii) Renewal of the College's network server hardware.

The Vice Principal explained that a quotation had been received, though in order to secure discounts amounting to £40k, the order would need to be placed by April. The quotation prior to discounts amounted to £244k. However, the College was also obtaining quotes from alternative suppliers and, as part of that process, seeking to get further advice on whether the solution proposed was the most efficient. Further independent advice was being sought from JISC. Highlighting the amount of expenditure involved, the Committee stressed the importance of ensuring the right decision, and the Chairman counselled the CLT against rushing the decision in order to secure discounts. The Committee agreed that the CLT should progress with obtaining advice and alternative quotations, and revert to the next meeting of the Committee. In the event that the CLT wished to progress with an order before then, the Vice Principal was asked to revert to the Chairman and Chair of Governors.

The Vice Principal advised that the SFA had announced a further capital grant, with the College entitlement amounting to £42k, provided that this could be spent during next year and that the College matched the expenditure on a 2:1 basis on capital projects. This would be easily achievable, the grant would be accrued for in the current year accounts and spent next year.

The Chairman summarised the overall financial implications of the above decisions. If all of the projects (including those for which further information is still required) were to go ahead, then the total amount charged to reserves for Phase 1 of the Capital Development Plan would be £1.139m (assuming the network hardware server expenditure at the lower figure with discounts). SFA grants totalling £267k could now be offset against this figure, resulting in net outgoings below the £1 million that the Governing Body had previously approved as a reasonable level of expenditure.

Actions:-

i) Projects to be progressed as above, with an update to the next meeting of the Committee including further information relating to the proposals for the Ceramics Studio, Sculpture Studio and renewal of the College's network server hardware.

11. Finance Monitoring Report (February) (NR)

The Vice Principal had circulated the FMR for the period to 31 January and tabled at the meeting the FMR for the period to 28 February, which had not been available at the time that papers were distributed. The latter showed a surplus (excluding an additional provision relating to BEC) for the seven month period of £673k (2009: £699k) compared to that anticipated in the original budget for this period in the year of £747k (2009: £456k).

The report provided a breakdown of the £74k variance between actual and budget performance. The Vice Principal highlighted that the extent of the over-spend relative to budget on hourly paid teaching staff as identified in previous months had gradually reduced. However, expenditure in this area was still at the budgeted level despite enrolments levels and tuition income being substantially below budget. This overall position remained a cause for concern. The Principal advised that the CLT were looking at steps that could be taken to increase enrolments for the summer term, with the aim of increasing tuition fee income.

The FMR for the period to 31 January included a re-forecast of the full year outcome, forecasting an anticipated deficit of £105k, compared to a budget deficit of £37k. The Vice Principal advised that there was nothing in the February management accounts to suggest that this re-forecast should be revised at this point. He noted, in particular, that whilst a full £75k contingency had been retained in the re-forecast, this might need to be utilised both in respect of restructuring costs and the possibility of compensation payable arising from the adverse industrial tribunal decision, both of which had been discussed earlier in the meeting.

The Vice Principal advised the Committee that a total of £31,000 had been by the College during the year to date by way of legacies, part of this being residual amounts expected on legacies from the previous year. The CLT proposed that 50% of this amount be allocated to the College's Bursary fund, 25% to the Heritage Fund and 25% to the Special Projects fund. The Committee approved this

appropriation.

12. AOP Performance Indicators Update (EP)

The Principal updated the Committee on in-year performance to January 2011 in relation to KPIs for financial performance, with a number of key points emerging from the ensuing review and discussion:-

Fee Income – With fee income received standing at 88.88% of budget, this was a key area of focus, as discussed earlier in the meeting.

Staff Utilisation – The CLT were in the process of undertaking further work on this measure, following a report from the Internal Auditors. The Committee noted, however, the absence of a target for the Ratio of Learning Hours to Teaching Hours, and whilst the Principal advised that there were some data quality issues surrounding this measure, the Committee suggested that if identifying a quantifiable target was difficult, there should as a minimum be a stated objective to exceed the prior year figure.

13. Health & Safety Report (NR)

The Committee received an update report on Health & Safety matters. The recent fire evacuations were noted, though the Vice Principal advised that a concern had emerged in relation to a class that included a number of students with disabilities, that was being held on the top floor of the Visual Arts Block. The possibility of moving the location of the class was being considered and the Committee would be updated at the next meeting.

The Committee endorsed the approach that all electrical equipment should be PAT tested annually.

Action: Vice Principal to update the next meeting of the Committee in relation to possible relocation of Art class as above.

14. Any Other Business

There was no other business.

15. Date of next meeting

The next meeting of the Committee is scheduled for Tuesday 24th May.

Graham Cooper

Clerk to the Governing Body

Signed. 

Paul Mason, Chairman