

FINANCE & RESOURCES COMMITTEE

DATE: WEDNESDAY 22 JUNE 2016
PLACE: RM 410 WANDSWORTH CAMPUS
TIME: 5.30 pm.
PRESENT: Andrew Brown, (Chair of Committee), Godfrey Allen (Chair of the Corporation), Jonathan Hick, Sue Rimmer (Principal), Cllr Jim Maddan.

IN ATTENDANCE Natalie Watt, Clerk to the Corporation
Christopher Wright, Vice Principal Planning & Resources
Ralph Moran, Director of Finance

1. Apologies for Absence

None

2. Declarations of Interest

None

3. Minutes of the last meeting held on 9 March 2016.

The minutes were approved and signed by the Chair.

4. Matters Arising:

- **Agency Staff** – The Director of Finance apologised for not providing the information as requested. Members were informed that it would be circulated after the meeting.
- Members were informed that the majority of spend in this area was for planned agency staff for students needing learner support.
- **Staff Utilisation** – the Director of Finance informed Members that he had a substantial hard copy report but that it had not yet been summarised. Members requested that the summary information be shared via email. Agreed.
- Members were informed that staff utilisation was currently at approximately 89%. Members queried what the target had been for teaching staff and were informed it was 95%, which was the best that could be expected.
- Discussion followed on the impact of staff underutilisation of approx. 11%. Members noted that this changed between areas and had greatly improved.
- Members queried the material cost and were advised it amounted to approximately £1m. Members asked for a summary of staff utilisation by campus for each meeting. However, it was also agreed that if this were not possible that a summary of the detailed report currently used by Heads of School would be made available. Agreed.

**Director of
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- **International Provision** – The VP Planning and Funding confirmed that Tier 4 International provision had ceased. Noted.
- **700k** – The Director of Finance confirmed that the money held against planning decisions was accruing interest which would be released to the College when consents had been obtained and the capital amount was also released.
- **Cost Of Overdraft Facility** – Members were advised that the interest rate was 2.25% over the base rate and that the total cost was £10,582.
- **Overspend on Rates** – Members were advised that a cut was applied to rates as part of the facilities budget reduction but that this had not accounted for the rates being at a fixed amount. This had now been adjusted.
- **Cash days in hand** – update included in Management Accounts item.
- **Format of Estates Report** – Format changed as requested.
- **Review of the Risk Management Process**– Members were advised that the Internal Auditors had been commissioned (within the existing contracted hours) to undertake a risk assurance mapping exercise with the Director of Finance. Members were informed that this would take place in July 2016.
- **Attendance Case Studies** – Members were informed that this were not yet available due to the impact of Ofsted. The Chair requested that this action be carried forward to the next meeting. Noted.
- **Merton Adult Education Contract** – The VP Planning and Resources confirmed that due diligence was nearing completion. Mills and Reeves were supporting the Senior Leadership Team through the process.
- Members were advised that final contract changes were being drafted and finalised.
- The Principal confirmed that the advertising of Adult courses at Merton had just been launched and it was anticipated that the contract would be signed by 1st August. Members noted that approximately 80 staff were being transferred under TUPE arrangements to South Thames College.
- Members discussed the detailed terms and conditions and the points that were still under negotiation.
- **Pay Increase** – The Director of Finance confirmed that this had been addressed in the budget item
- **HE Fees** – The VP Planning and Resources confirmed that the fees policy had been flexed where necessary to market specific courses and that any changes had taken place within the framework of the agreed policy.

Director of Finance

VP Planning & Resources

5. **Financial Procedures Update**

None advised.

6. **Management Accounts 2015/16**– Presented by the Director of Finance

Items discussed:

- Members noted that the Management Accounts included exceptional items such as the sale of the Tower Block, FRS102 break costs of the Lloyds loan and restructuring costs.
- Member's attention was drawn to the actions identified to address the deficit at paragraph 2.

- The Director of Finance confirmed that savings had been made on facilities contracts for 2016/17 but that they had not been achievable in the current year due to the impact of additional merger and due diligence work. Noted.
- Members challenged the Director of Finance to identify the areas where overspend had occurred?
- Discussion followed on the reason for the overspend in year, including essential work on the fire alarm system and the need for agency work to cover vacancies
- Members were also told that the budget was reactive due to unpredictability and that no contingency had been identified so any additional costs incurred were immediate overspends.
- Members expressed their concern that this issue had not been identified at the start of the new financial year and urged the Director of Finance to be clear when delivering the budget about which areas may need additional funding and or contingency depending on the nature of the demand within them. Agreed.
- Members raised the issue of increased and unexpected pay costs which were shown in P10 and noted that these were not reported in P8. Discussion followed on the variances identified at 5.3.
- The Director of Finance discussed the increase in agency staff spend towards the end of the year. Members were that in some areas significant spend had not been processed until P10 e.g. one spend of £75k has just been received.
- Members discussed their concerns around this area and the reasons given for the overspend. The Chair of the Committee expressed concern that the budget profile and forecast was not accurate enough to anticipate the pattern of spend.
- Members noted that estates costs were reactive each year, that agency and VT spend was always loaded towards the end of the year yet was not forecast as such.
- The Principal agreed with Members noting that this has been raised on several occasions previously.
- The Principal and Members requested that more thought and planning be given to ensuring profiling and trend analysis was undertaken to ensure that a more accurate forecast was delivered in the next budget.
- The Director of Finance was asked to ensure that the budget proposals reflected what actually happened in key areas of overspend, rather than reflect a profile that could not be maintained and was then inaccurate by P10.
- Discussion followed on what levers could be used to ensure that all budget holders complied with the Budget forecast requirements.
- Members requested that an analysis of the underlying causes of overspend, in each school, be undertaken.
- Discussion followed on the non-pay variances identified at paragraph 5.5.
- Members discussed the usefulness of increasing financial reporting by campus. The Chair of the Committee asked for direction on where agency spend was reflected on the risk register. Members noted that this was embedded within other risks rather than being specific. Members requested that consideration be given by the Risk

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Management Group to adding this as a separate risk to the risk register.

- Members sought assurance that there was sufficient contingency built in to the budget to accommodate known fluctuations and stressed the need to be realistic and use the known trends.
- Detailed discussions took place on pay and staff efficiency savings. The VP Planning and Resources confirmed that there were little efficiency gains to be made on support staff costs and that all services had been cut back as much as possible.
- Members noted that in 24 months the College had lost £8.4m from its budget and that the Corporation needed to look at the strategic implications of the year on year decline and reducing level of income.
- The Principal informed Members that the large funding changes over the last few years had now been fully absorbed and although the College was still paying Lennartz contributions that the trend had bottomed out.
- The Principal informed Members that 2 sales staff had been employed to target income levels in key areas.
- Members endorsed this approach and it was agreed that a report on the impact of the sales staff would come back to a later meeting of the Committee.
- Members were informed that the Chair and the Principal had met with the Deputy FE Commissioner to discuss strategic options and the area review and that an update would be provided to the Corporation.
- Members discussed the use of partners and the level of risk and gain attached to this approach. Members noted that partnership working had only been increased to protect the contract for the following year.
- Members noted that there could be further slippage expected at P12 on Adults.
- Discussion followed on the reasons for this and Members were advised that it was not possible to provide a more accurate figure at this time as the level of achievement would impact on the final figures. Noted.

Management Accounts RECEIVED.

**VP
Planning &
Resources**

7. Loan Re-Structuring – Discussed under item 13.

8. Partnership Activity – Presented by the Director of Finance.

Items discussed:

- Members noted the progress identified in paragraph 4 onwards. The Director of Finance confirmed that the value of partnerships had been increased to £600k.
- Members noted that this had considerably reduced from the previous year.
- Discussion followed on the flexibility that came with the use of partners and also the level of risk.
- Members discussed the trends in this area and it was agreed that the move towards reducing the contribution of partners was good.

Report RECEIVED.

9. Estates & Facilities Update – Presented by the Director of Finance.

Items discussed:

- Members noted the update on contract monitoring. The Director of Finance confirmed that print services for the whole college were again being reviewed over the summer.
- Members discussed the planned works needed for the Merton Campus to adapt the 6th Form Centre for Adult Education.
- Members expressed their on-going concern at the excess capacity in the current buildings and how they are used.
- The VP Planning and Funding confirmed that the Senior Leadership Team were keeping this under review and shared concerns.
- It was noted that the Merton Adult Education contract would increase usage at Merton considerably.
- The Principal informed the Committee that both she and the VP Planning & Resources were working with Fusion Project Management to actively pursue options for letting space, up to and including the sale of some areas if this proved feasible and financially beneficial to the College.
- Members discussed some of the business opportunities being pursued.
- Members asked for a campus analysis of capacity of each of the buildings and it was agreed that this would be provided at the next meeting.
- The Director of Finance informed the Committee that he ran a desk based utilisation exercise in October and that this was shared with Managers to aid planning.
- Members noted that this was an area that would be useful for inclusion in the dashboard.
- The Chair of the Committee noted the work that had been undertaken to achieve contract savings. Members urged the College Executive Team to pursue commercial options where possible to especially where under-utilisation was an issue at the Wandsworth Campus. Noted.
- The VP Planning and Resources informed Members that the College was undertaking a review of its Saturday opening. If the building was not paying its way on Saturdays then it was likely to close and revert back to Monday to Friday. Noted.

Director of Finance

VP Planning & Resources

Report RECEIVED.

10. Risk Management Termly Update – Presented by the Director of Finance.

Items discussed:

- The Director of Finance noted the comment regarding inclusion of VT's and that this had also been flagged up by the Audit Committee.
- It was agreed that this would be considered for inclusion by the Risk Management Group.
- Members were informed that a risk assurance mapping exercise was commencing shortly with the Auditors and that any changes would be identified to the Corporation in October.
- Noted that this was replacing the Risk Management and Corporate Governance Audit for this year.

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Report RECEIVED.

11. Funding Performance Update 2015/16– Presented by the Vice Principal Planning and Resources.

Items discussed:

- Members received the report and discussed table 2 and the average group size in detail.
- Members noted the hospitality and catering group sizes.
- Members also discussed group sizes for Health and Social Care. The VP Planning and Resources explained in detail the make-up of these curriculum areas and where performance differed between the curriculum areas included in the schools.
- Members noted the issues with attendance and recruitment in Health and Social Care at Merton.
- Members were informed that all sport provision was now moving to the Wandsworth Campus as there were no appropriate facilities on site at Merton and it was anticipated that this would strength performance in this area.
- Members discussed the information at table 1 noting the impact of the subcontracting work.
- Discussion also followed on attendance strategies being employed. Members noted the underperformance on foundation studies and the lower group size.
- The VP Planning and Resources confirmed that further analysis and work was needed to understand the cause of this.
- The Chair of the Committee requested that this detailed analysis be shared with the Committee at its next meeting. Agreed.
- Members queried what the attendance target had been set at. Noted it was 90%.

Report RECEIVED.

**VP
Planning &
Resources**

12. Curriculum Delivery Plan 2016/17– Presented by the VP Planning &Resources.

Items discussed:

- Members were informed that the Curriculum Plan had fed into the budget planning process in the following item. Noted.
- Attention was drawn to the key changes identified at paragraph 10 for Merton on the following areas:
 - Hospitality & Catering
 - Merton Adult Community Education
 - Engineering and Construction
 - Health, Care and Science
 - Progression Pathways.
- The VP Planning and Resources confirmed that the delivery of A levels would cease at the end of this academic year. Members were informed that Merton Council was also planning to open a sport facility opposite the new Merton Adult Education Centre and it was hoped that this would also increase usage. Noted.
- Members noted the key changes identified for Wandsworth at paragraph 12.
 - School of English
 - Construction Training Centre
 - Business School
 - Health, Sport and Salon

- The Principal discussed areas of growth informing Members that Games Development was particularly strong and that the College was looking at enhancing its profile in the area of digital provision.
- Discussion followed on under capacity in health science and the need to explore more opportunities with St Georges. Agreed.
- Members noted the update on page 7 on planned student numbers. Members thanked the VP Planning and Resources for the useful and comprehensive report.

Report RECEIVED.

13. Budget 2016/17 & Financial Forecast to 2017-18—Presented by the Director of Finance.

Items discussed:

- Member's attention was drawn to the summary at paragraph 3 on Funding and policy and the impact on the budget.
- Members noted the reducing allocation from 2180 compared to 2338 for 2015/16 from the EFA due to under recruitment this year.
- Members discussed the SFA funding identified at paragraph 3.2.
- Members noted that the College needed to make a decision about discretionary funding as per paragraph 3.3. Discussion followed on the external constraints identified on page 2 section 4.
- Members discussed in detail the key assumptions on income identified in paragraph 6.1.
- Members noted the planned growth identified in column 3 and queried how prudent these figures were and if they had been arrived at following an analysis of recent year on year trends.
- The Director of Finance confirmed that these were considered to be realistic and achievable targets.
- Members debated the risk in some of the key areas of delivery in particular the launch of the new degrees.
- The VP Planning and Resources provided a brief update on recent work with Global University Systems.
- Discussion followed on the vehicle used for delivery and the margins in place for both sides.
- Detailed discussion followed on the quality assurance aspect of delivery.
- The Principal informed Members that the College had been impressed with how the company obtained its market share hence the introduction of two sales focussed posts within the College.
- Discussion followed on the risk attached to the project and the need for the College to be confident about the quality of delivery. Noted.
- Members were assured that only modest growth had been factored in to the budget around the incorporation of the Merton Adult Community Contract.
- The VP Planning and Resources provided an update on contract negotiations and Members noted the additional work that had been undertaken to protect the position of the College.
- Members were informed that all Tier 4 International provision had now been ceased. Discussion followed on the pension changes contingencies set up for pay.
- Members expressed their serious concerns at the VT and agency budgets being overspend for 2 years in a row and urged the Director

of Finance to budget for a contingency in this area to prevent this occurring for a third year. Agreed.

- Discussion followed on the controls in place to manage agency and VT Staff the Principal confirmed that the SLT signed off all agency staff each month. It was agreed that further controls would be considered in this area
- The Principal stated that a more sophisticated analysis was needed and confirmed that she would be discussing this further with the Senior Leadership Team.
- Members debated how this contingency could be worked in to the budget. The Committee confirmed that it was a requirement for the budget noting that this may mean further work and or a possible voluntary redundancy scheme option for this to be achieved.
- The Principal asked the Committee to consider the inclusion of a pay rise. Members were informed that the latest information from the AoC was that they would recommend a 1% pay rise for the sector.
- Members discussed this at length noting the challenges around returning a balanced budget for the following year and the loan covenants still in place.
- The Principal was asked to provide to provide benchmark information for the Corporation demonstrating where South Thames pay levels were at in comparison to other comparable Colleges.
- The Principal expressed her concern at the impact on staff and the unsustainability of retaining staff where pay dropped below national averages.
- Members requested evidence of the attrition on staff as a result of no pay increase, the Principal explained to the Committee that this information was difficult to obtain and quantify. Noted.
- The Principal proposed a one off bonus payment and a pay increase from April the following year.
- Following discussion it was agreed that the Principal would present a case to the Corporation for a pay increase and or bonus payment.
- Members discussed schedule 3E and non-pay expenditure.
- Members discussed how resources within schools were managed and queried how more savings could be achieved.
- Discussion followed on the cash position. Members noted that the budget assumed the repayment of the Lloyds loan. Members queried if the underlying cash position as zero? The Director of Finance confirmed this position.
- Members discussed the pension deficit payments due and the impact of Lennartz noting that this was in place for a further 3 years.
- The Director of Finance confirmed that there a limited internal capital works bidding process was underway within the College.
- Members requested a breakdown of the capital spend and maintenance costs. Agreed that this would be provided at the next meeting.
- Loans – The VP Planning and Resources updated Members on recent negotiations with Lloyds. Members were informed that despite undertaking to provide advice Eversheds had now declared a conflict of interest.
- The Director of Finance confirmed that he was seeking advice from Mills and Reeves. Discussion followed on break costs.

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Principal

Principal

Director of Finance

- The Chair of the Corporation emphasised the absolute necessity of obtaining clear legal advice when negotiating with the banks regarding loan re payments and that the College would absolutely follow the legal advice. Agreed.
- Members noted that there were time constraints in place for the loan to be repaid given the timing of the closing of the accounts.
- The Principal instructed the Director of Finance to obtain the latest position regarding advice on repayment and break costs. It was agreed that an update would be provided to the Corporation.
- The Director of Finance informed Members that the College was currently as assessed as having GOOD financial health and that under the present standards would be shown as outstanding the following year.
 - **Members recommended the budget to the Corporation for APPROVAL subject to the changes requested at the meeting.**

Director of Finance

14. Any Other Business

Terms of Reference – Noted that these had been reviewed and that the Audit Committee Terms of Reference had also been agreed with the Chair of the Audit Committee.

Changes to the SORP - The Director of Finance reminded Members that he had provided a briefing note on the SORP requirements at the start of the academic year. Noted. A brief discussion took place on some of the accounting treatments and Members were assured that FRS102 had been taken into consideration. The Director of Finance agreed to identify these changes when the financial statements were presented.

Director of Finance

Management Accounts – The Chair of the Committee reminded the Director of Finance that monthly management accounts had been requested by the Committee. The Director of Finance was asked to submit the accounts in a timely manner. Agreed.

Director of Finance

15. Date and Time of the Next Meeting

- It was agreed that an additional meeting of the Committee was needed at the start of October. The Clerk agreed to circulate potential dates. The Director of Finance noted that he had been called to Jury service in September.
- Wednesday 23 November 2016 at 6pm
- Wednesday 15 March 2017 at 6pm
- Wednesday 21 June 2017 at 6pm

Clerk

Signed By: _____

Date: _____