

FINANCE & RESOURCES COMMITTEE

DATE: WEDNESDAY 25 NOVEMBER 2015
PLACE: RM 410 WANDSWORTH CAMPUS
TIME: 5.00 pm.
PRESENT: Andrew Brown (Chair of the Committee), Godfrey Allen, Jonathan Hick, Sue Rimmer (Principal), Cllr Jim Maddan.

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

1. Apologies for Absence

None

Noted: The Chair of the Committee indicated that a tabled paper would be considered as per the minutes below.

2. Declarations of Interest

Julian Grindell, Interim VP Special Projects & Fusion Consultant Item 5.
Cllr Jim Maddan, Item 5.

3. i) Minutes of the last meeting held on 22 September 2015.

The minutes were approved and signed by the Chair of the Committee

ii) Confidential Minutes of the last meeting held on 22 September 2015.

The minutes were approved and signed by the Chair of the Committee

4. Matters Arising:

CPI Report

- Members were advised that an updated report was submitted to the Corporation meeting on 13th October 2015.

Financial reporting by Campus

- Confirmed that reports during the year will have a campus focus where possible.

Business Centre profiles

- The VP Planning & Resources confirmed that the Business Centre were working on revisions to their profiles, however, early indications were that they would exceed targets.
- It was agreed that an updated a Business Centre profile would be circulated to the Committee outside of the meeting.

**VP
Planning &
Resources**

External Investment Ideas

- Members noted the progression of the Strategic Alliance discussions and the potential developments at the Merton Campus.
- The VP Planning & Resources informed Members that up-front investment in new opportunities and identifying staffing resources to undertake this was not possible at the moment.
- It was noted that this would be re-visited once the capital receipt had been obtained from the sale of the Tower Block. It was agreed that this item would be carried forward.
- Members stressed the necessity of a growth plan alongside any strategic alliance.
- Discussion followed on how to become more sales orientated with HE loans and professional courses as key areas, where efforts could be focussed.
- Members discussed the possibility of synergies to be gained from advance working with Lambeth, across areas such as the Business Centres.
- The Principal confirmed that discussions were already underway.
- Members were advised that the College was also hoping to explore the possibility of additional income from the European Social Fund

Clerk

Income Update – Noted that Management Accounts were on the agenda.

External advice on Interest Rates

- Noted that this would be sought before any loan repayment decisions were taken.
- Members also discussed the relevance of this for the Strategic Alliance when pursuing any consolidation of loans for a merged College. Noted.

5. Use of Financial Procedures

- **Due Diligence** – The Clerk confirmed that the Chair of the Corporation and Vice Chair of the Corporation (who also Chaired the Finance & Resources Committee) had been kept apprised of the tender process.
- Noted that the contract for financial due diligence had been awarded.
- Confirmation was also given that the legal due diligence tender evaluation process had also been completed just prior to the meeting.
- **GLA** – The Chair confirmed that the funding agreement had been signed under the Corporation seal. Noted.

10. Capital Projects – Subject to a separate confidential minute.

* **Bank Covenant & Waiver Considerations**– Presented by the Director of Finance.

Items discussed:

- Members took time to read the report tabled and questions were invited.
- Members noted Lloyds changing position over the last few weeks.
- Members discussed the risk posed for Lloyds in pursuing their approach, which contravenes written legal advice received by the College from Eversheds.

- Following discussion Members **APPROVED** the recommendations below:
 - To accept the recommendation based on advice from Eversheds that no breach of the loan covenant has occurred
 - To recommend to the Corporation approval of the revised Letter of Representation, to include the additional paragraph at 5.3.
 - Agreed that the College should advise Lloyds that no waiver is required based on the above.
 - Following further debate the Chair of the Committee confirmed that the 3rd recommendation, seeking guidance as to an outline proposal from Barclays, was **NOT** to be considered for further investigation at this time.
- The Clerk to the Corporation provided the Committee with an update of discussions at the Audit Committee. Members were notified that the Audit Committee Annual Report would reflect the issues raised at the Audit Committee. Notably, Buzzacotts signing off the financial statements with a clean audit opinion and as a going concern subject to the decisions identified above.
- The Chair of the Corporation, confirmed that the External Auditors had been invited to present the Post Audit Management Letter to the Corporation in person. Noted.
- The Chair of the Committee requested that a copy of the tabled report be shared with the Audit Committee for information and reassurance. Agreed.

Director of Finance

Director of Finance

Clerk

Report RECEIVED recommendations 1&2 APPROVED

6. Financial Statements 2014/15– Presented by the Director of Finance.

Items discussed:

- Members noted that there were two amendments needed to the Members listing on page 12, namely, a typo and inclusion of the Chair of the Corporation also being a member of the Finance & Resources Committee. Noted.
- Noted that page 44 was incomplete.
- Noted that on Page 2 the numbers were incorrect and should read £99k not £9k.
- Page 3, table 3 to be completed.
- It was agreed that the Director of Finance would update the Financial Statements accordingly and produce a final set for the Corporation meeting on the 9th December 2015.

Director of Finance

Financial Statements APPROVED for recommendation to the Corporation.

7. Management Accounts – Presented by the Director of Finance.

Items discussed:

- Members were advised that the report was still an early forecast for the year. Member's attention was drawn to paragraph 2 and the actions detailed to improve the forecasted position.
- Members expressed their concern that in previous years similar reports at this time were early warnings of under delivery. Subsequently the actions identified were proven not to be radical enough in nature to have an impact in year.
- Members referred back to a previous report at the June meeting where they were assured that the budget set was very conservative in

terms of income projections.

- However, the early forecast was already flagging up this as an area of under delivery which was a significant cause for concern for the Committee.
- The VP Planning and Resources explained the impact of the removal of tier 4 visas; he confirmed that the College was seeking new markets but that these would take time to mature.
- Members continued to express concern that the projections, whilst modest, were still over ambitious and if used to balance the budget would result in an increased deficit being built up during the year.
- Members queried why full cost work had not achieved its target?
- Members were informed that the products in full cost areas were not ideal and involved complex staffing issues which were impacting on achieving the income levels.
- The Principal informed Members that the Vice Principal Curriculum and Quality had appointed a new business manager for this area to seek to turn the situation around.
- Members queried how much money it would cost to amend the course file in year?
- The Principal confirmed to Members that this was not an answer and that the whole area of delivery needed to be reviewed rather than minor adjustments to the course file.
- Members asked for a summary of what variable costs could be reviewed now to impact on the bottom line at the end of the year?
- Members stated that variable costs needed to be trimmed immediately to have any impact.
- Members asked for aggressive action to be identified now to prevent a worsening end of year deficit position.
- Members asked what radical plans were being explored by the College.
- The Principal informed Members that the ILR had only just been run and that the College was still calculating the funding implications.
- Budget reviews had already commenced to pin down costs and obtain a more realistic assessment of the situation.
- The VP Planning and Resources confirmed that the College was already looking at ways to trim costs and when the best time would be to take the action.
- The Principal confirmed that she had requested last year's profile against actuals and this year's profiles to undertake a comparison to look at trends. Members endorsed this approach and it was agreed that this would be shared with the Committee when available. Noted
- Members discussed the levers available to the College and noted that managing the use of VT's was key.
- The VP Planning and Resources confirmed that the College was operating at its maximum efficiency levels in terms of support staff and that any further cuts in this area would seriously jeopardise the College's ability to function.
- Members accepted this point and that this would result by default in a review of teaching staff and curriculum areas.
- The VP Planning and Resources discussed the use of franchising in the previous year.
- Members were assured that the College would NOT be relying on

Principal

franchising to balance the budget in the current year. Members endorsed this approach.

- The Chair of the Corporation stated that the Committee and the Corporation were still expressing an appetite for radical changes to achieve a break even budget.
- The Chair of the Corporation stated categorically that the Board did not view the prospect of a strategic alliance with Lambeth as a recovery plan.
- The Principal informed the Committee that the SLT were considering all options and that class sizes were the subject of considerable focus.
- Growth prospects with St Georges were looking positive and options were on the table for the increased use of the Merton site. Noted.
- Members stated their concern over the capacity of the management team to deal with all the challenges facing them, as well as progressing the merger.
- The VP Planning and Resources conceded that this was a concern and that a meeting was planned with KPMG to take forward the merger proposals, from a project management standpoint. Members endorsed this approach.
- The Principal expressed her concern at ensuring that the right resources were acquired to deliver the projects.
- Members discussed the potential use of additional capital should it become available.
- Members expressed concern that investment of £15m over 3 years had not resulted in a growth of income and that further investment in the same approach would create the possibility of a greater loss of investment rather than an increase in income. Noted.
- Members discussed the cash flow projections in detail. The Director of Finance assured Members that he had stripped back the cash flow to identify the needs of the College over the next 2 months.
- Discussion followed on the critical timing of cash flow and the expected and still outstanding SFA money due in from Newham College.
- The Principal confirmed that she was following up this matter.
- Members noted that Tower proceeds were currently forecast for 11th January 2016. Members asked for confirmation of the bottom line cash needs. The Director of Finance confirmed that the College would have a deficit of £1.2m at the December pay day date unless temporary arrangements were in place.
- Members were also advised that if the income was delayed in January then the College would need a further cash advance of approximately £2m.
- The Director of Finance confirmed that the cash flow forecasts had been shared with Barclays and that the bank had indicated it was supportive of the College's position. Barclays had indicated that there would be no issue with providing a temporary facility.
- Members stated that this would come at considerable cost and that the College should seek to maintain the facility for as little time as possible. Noted.
- Members enquired how much time the bank needed to put the facility in place and were informed that it could happen with a week's notice.

Principal

- Members urged the College to ensure that it has sufficient time for this to happen in a planned fashion rather than as an emergency request, Members were assured this was in hand.
- Members noted that only one set of management accounts had been provided and again requested that Management Accounts be circulated to them monthly.

Director of Finance

Management Accounts RECEIVED.

8. Learner Numbers & Funding Update 2015/16 – Presented by the VP Planning & Resources.

Items discussed:

- Members were advised that a reconciliation from the SFA issued in the first week in December 2015. If the claw back amount is significantly different to the estimated amount, it was agreed that the VP Planning & Resources would circulate an update on the financial impact outside of the meeting schedule.
- Members noted the positive news reported in table 4 and queried if there were any cost/income benefits?
- Members were advised that progress was being made to maximise options and increase capacity but that funding yields were a key focus in managing learner numbers.
- Members raised the issue of attendance and detailed discussion followed on the impact of Maths and English.
- Discussion followed on success rates and progression. The Principal explained some of the challenges around the provision of english and Maths at the start of term and the continuing challenge of teaching across a range of abilities.
- Further discussion took place on the range of qualifications. Members sought a summary of the key areas of concern.
- The Principal confirmed that english provision was a concern as the adult skills rate has been capped. Numbers were also lower than expected in the area of construction.
- Members were advised that there was greater consistency in recruitment and progression and fewer outliers than in previous years.

VP Planning & Resources

Report RECEIVED.

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

Items discussed:

- Members noted the report and the SFA requirement to declare the value of contracts.
- The Director of Finance confirmed that Buzzcotts had been commissioned to carry out the work on behalf of the College at an additional cost of approximately £1500. Noted.

Report RECEIVED.

11. Financial Regulations – Presented by the Director of Finance.

Items discussed:

- The Director of Finance confirmed that there were no significant changes.
- Members were referred to page 12 which now included a requirement that all staff complete a declaration of interest if they were involved

with procurement.

- Members queried how this would be administered. The Director of Finance confirmed that an all staff email would be sent to all staff drawing it to their attention.

Financial Regulations APPROVED for recommendation to the Corporation.

Director of Finance

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

Items discussed:

- Members queried where the risk relating to merger execution was identified. It was confirmed that this would be added to the register at the next review.
- Members noted that the cost control risk appeared on a second sheet which had not been copied. It was agreed that the whole sheet would be circulated to the Committee via email after the meeting. Noted.
- The Principal noted that the numbers had been removed from the residual risk column. The Principal requested that this be reinstated as per previous reports. Agreed.

Director of Finance

Clerk

Director of Finance

Report RECEIVED.

13. Self Assessment

- Members note that the summary of returns would be reported to the Corporation the following week and that the Committee had self assessed overall as GOOD.

Update RECEIVED.

14. Any Other Business

Draft Work Plan

- The Clerk confirmed that the work plan had been carried forward. Members noted that the planned maintenance and estates and facilities report had not been produced for the Autumn term meeting. It was agreed that following the recent appointment of a new Head of Estates & Facilities that this would come to the next full meeting of the Committee.

Head of Estates & Facilities

Work plan AGREED.

Additional Meeting

- The Chair of the Committee proposed holding an additional meeting at the end of January 2016, given the challenging nature of the Colleges Finances. Agreed.
- The Clerk agreed to seek a date compatible with the next Joint Steering Group and Special Corporation meeting.

Clerk

Additional meeting date to be confirmed.

15. Date and Time of the Next Meeting

- **End of January Date TBA.**
- Wednesday 5pm 9 March 2016 Wandsworth Campus
- Wednesday 5pm 22 June 2016 Wandsworth Campus

Signed By: _____

Date: _____