

FINANCE & RESOURCES COMMITTEE

DATE: WEDNESDAY 26 NOVEMBER 2014

PLACE: RM 410 WANDSWORTH CAMPUS

TIME: 4.30 pm.

PRESENT: Andrew Brown (Committee Chair) Godfrey Allen (Chair of the Corporation),
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

Paul Robinson

2. Declarations of Interest

Julian Grindell Interim VP Special Projects & Fusion Consultant.
Cllr Jim Maddan Item 10.

3. Minutes of the last meeting held on 2 July 2014.

The minutes were approved and signed by the Chair.

4. Matters Arising:

- **Utilisation - Item 6 Management Accounts. Page 3** – Members noted that utilisation information had been issued prior to the meeting.
- Discussion followed on the data provided. The VP Planning and Resources confirmed that the College was bearing down on under utilised areas in an effort to maximise efficiencies. Detailed discussion followed on the options available for increasing efficiency gains and the challenges and impact on students when combining groups.
- Members discussed the relationship between fte numbers and funding. Members discussed the need to continue to focus on pay to non pay ratio and it was agreed that this is a key indicator.
- Members were assured that detailed data is supplied to all Heads of School on utilisation.
- **Pay Award - Item 7** The Principal informed Members that UCU have served notice for a ballot to be held for further strike action as the 4% pay award had been rejected.
- **Loan Covenants - Item 11. Page 5** – The Director of Finance informed Members that the College had not yet received a written undertaking from Lloyds with regard to the impact of FRS17.

**Director of
Finance**

Members requested that this be sought as soon as possible. Agreed.

5. Financial Procedures Update

- **Mobile Phone Mast Variation** – Members were informed that the Chair of the Corporation had signed this under Chair's action. Noted.
- **Corporation Minute for HSBC** – Members were informed that the Chair had signed the minute relating to this item in advance of Corporation to facilitate the requirements of HSBC. Noted.

6. Financial Statements 2013/14– Presented by the Director of Finance

Items discussed:

- Members noted the details in paragraphs 1.1 and 1.2 and that the College is still reporting a surplus of £6k.
- The Director of Finance drew to Members attention the following:
 - - The outturn adverse variance of £504k against income
 - - An adverse variance of £708k against pay costs
 - - A favourable variance of £213k against non pay costs
- Members noted the headlines and discussed the underlying causes and issues for each of the above.
- Detailed discussion took place on FRS17 and the technical accounting issues associated with this in terms of the final out turn.
- Members were assured that the difference related to technical adjustments but that the bottom line was consistent with the Management Accounts previously reported.
- Page 26 & 28 – Members discussed the increased premises costs identified on previous years. It was noted that the additional costs were largely due to an increased College estate with both the Aurora Centre and the Catering and Hospitality Blocks coming on stream. Noted that the additional spend on staffing was also related to the increased delivery in these two areas.
- Appendix B - Members were advised that the SFA had assessed the College as having good financial health for 2013/14 and outstanding for 2014/15.
- Members queried this and were informed, that 4 different metrics would have been applied by the SFA. In addition, some weighting would have been given to the potential cash influx from the sale of the Tower Block. Noted.
- Letter of Representation – Members noted that the letter had been considered by the Audit Committee previously.
- Members sought confirmation that the College would be considered as a going concern without the sale of the tower block? The Director of Finance confirmed that this would be the case.
- The Interim VP Special Projects informed Members that Barclays, despite no longer lending to the sector, considered the College a good risk in terms of financial dealings.

Recommendations APPROVED

- Members **NOTED** that the full year out-turn was an operating deficit of £976k and noted the full year position as detailed in the report.
- Members recommended the Financial Statements to the Corporation for APPROVAL (Annex A).
- **NOTED** that SFA assessment of outstanding financial health

was still in place

- Members **AGREED** that the Financial Statements would be recommended to the Corporation for APPROVAL.

Report RECEIVED, NOTED AND APPROVED.

7. Management Accounts 2014/15 – Presented by the Director of Finance

Items discussed:

- Member's attention was drawn to paragraph 1. Members noted the full year forecast shows a deficit of £459k a favourable variance of £36k against budget.
- Members noted the forecast summary at 1.2 and 1.3 and the comments in the report.
- Members discussed the projected income in detail and that the performance of the ESF projects was also proving to be a challenge.
- Discussion took place on recruitment levels Members queried the likely level of impact given performance in previous years in terms of January starts. Noted.
- Members were assured that the Director of Finance was managing resources effectively, where resources had been allocated and remained unspent they were being clawed back in year. Noted.
- Members queried the Merton pensions cessation figures forecast for the end of year and requested confirmation that this was a worse case scenario? The Director of Finance confirmed that he had forecast a prudent level of provision. However this matter had been outstanding since 2009 so there was a significant possibility that it would run over to the following year.
- Members debated at length the number of cash days in hand and expressed concern at the low number.
- Members discussed the impact of no capital receipt on the cash days in hand. Members requested additional information on cash flow and the numbers behind the cash flow graph to give a better insight into the movements and components of the net cash position. It was therefore agreed that the cash flow statement would be included as part of the management accounts, as well as the balance sheet and P&L with a high level line graph for cash until the immediate cash pressures resolve. It was agreed that the format of the reports would be amended for the next meeting.
- Members requested that some scenario plans also are provided showing the impact on cash days in hand should the sale of the Tower Block not materialise in year. Agreed
- Members expressed their concerns regarding the number of cash days in hand and asked the Director of Finance what arrangements the College had in place should the days in hand reduce further.
- The Director of Finance informed the Committee that the banks had previously indicated that overdraft facilities would be considered.
- Members proposed that options should be firmed up in the event of a problem occurring and reported back to the Committee. Noted.
- Members discussed the Capital Projects further and the time frame for planning permission etc.
- Members also queried the assumptions on income from the sale of the Tower Block.
- The Director of Finance confirmed that some assumptions had been

Director of Finance

Director of Finance

Director of Finance

included and that the SFA had included the receipts from the sale of the Tower Block when undertaking their financial health assessment.

- Discussion also followed on the accounting impact of the sale and it was agreed that the monthly management accounts model would be rolled forward to reflect the scenarios posing the greatest risk to the College. Agreed.
- Members asked for confirmation on how often the forecast was updated? The Director of Finance confirmed that the end of year forecast was updated daily and weekly. It was agreed that any deterioration below the current reported position would be notified to the Committee immediately.
- Members discussed the recruitment in some areas and the impact this had on the budget. Members queried whether the budget had been overly optimistic? The VP Planning and Resources discussed the difficulty in identifying savings mid term as the Curriculum is still evolving.
- Members expressed concerns that any additional income generated would be quickly offset by overspend on visiting teachers and agency. Noted.
- Members queried why the initial budget for agency staffing was so low, when the end of year spend, was always significant?
- Members were informed that the College budgeted for all establishment posts to be filled and that agency costs were covered from this budget, assumptions are made that agency spend is offset by vacancies.
- Members discussed the contingency identified and the ongoing costs of developing the capital scheme further.

Director of Finance

Director of Finance

Management Accounts RECEIVED.

8. Learner Numbers & Funding Update Funding Performance Termly Update 2013/14 – Presented by the VP Planning & Resources

Items discussed:

- Member's attention was drawn to paragraph 5 and the comments on the following areas: 16-18 learners and funding income, Adult learners and funding income, Adult 24+FE Loans, Higher Education Indirect Income, International Income.
- Members noted the positive news on work place and apprenticeships. Members queried the overall reduction in student numbers.
- The VP Planning and Resources, confirmed to Members that this was as a result of planned action to reduce non funded provision. Noted.
- Members debated again the figures from January enrolment which were highlighted as potential increase in numbers and expressed their concerns at this being achieved. Noted.

Report RECEIVED.

9. Franchise Provision – Presented by the Director of Finance.

Items discussed:

- Members discussed the delivery and additional contracting that took place in 2013/14. Member's attention was drawn to the Annex which confirmed that the maximum contract value was exceeded.
- It was noted that the College would not have to pay additional costs

for this over delivery.

- Members attention was drawn to Annex B. Members also noted the proposed Franchisees currently going through the due diligence process.
- Members queried the reference to Queensbury College at Paragraph 8. The Director of Finance apologised confirming that this should have been included in the table presented. Noted.
- Members requested that all partnerships be reflected in the report in future. Agreed.
- Members noted the importance of using HE as a further growth node for the College.
- Members noted that Franchise provision last year was considerably reduced but that the level undertaken defended the bottom line.

Director of Finance

Report RECEIVED.

10. Capital Projects & Estates Matters – Presented by the Interim VP Resources.

Declaration of Interests Noted.

Items discussed:

- Members were informed that the College was hopeful of a decision from the Planning Committee in December 2014. All consultation had now ceased although on going conversations were still happening with interested parties.
- Members were informed that additional scrutiny of the scheme was expected in light of the partnership arrangement with the Council. Noted.
- Members were informed that the College would be moving ahead towards marketing the site.
- Members were informed that negotiations were a work in progress regarding the placement of mobile phone masts to ensure that there were no barriers to a sale at a later date. Noted.
- Members asked whether a return on investment review was undertaken for the capital projects. The Interim VP Special Projects confirmed that as part of funding requirements investment appraisals were undertaken.
- Members noted that the engineering block at Merton was now on budget (taking into account the increase agreed at the last meeting) and was expected to open on site as planned in September 2015.
- Members were also informed that the expression of interest application for grant funding for the link block to create a new construction area had been approved.
- Members emphasised the need to ensure that the College was delivering on the returns claimed for in the grant process. Agreed.
- Members also discussed the capital expenditure and maintenance budgets. It was noted that an annual planned maintenance report was due at the Summer Term Meeting. Noted.
- Members were advised that a detailed condition survey was being undertaken during the year and that this would be used to provide a detailed planned maintenance report to the summer term meeting.
- Members were informed that the Accommodation Strategy was also due for revision. Noted.
- Members noted the update on Health and Safety.

Director of Finance

Interim VP Special Projects

Report RECEIVED.

11. Financial Regulations – Presented by the Director of Finance

Items discussed:

- Members noted that there were no substantial or significant changes proposed and noted the summary of changes provided at the end of the Financial Regulations.
- Members were informed that the Financial Regulations had been amended to reflect the fact that procurement was now being managed in house. Noted.
- The Clerk informed Members that the summary sheet only would be presented to the Corporation with hard copies available if required. Agreed.

Clerk

Financial Regulations APPROVED for recommendation to the Corporation.

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

Items discussed:

- Members noted the update which focussed on the particular risks relevant for the Committee and identified in the overall plan approved by the Corporation.
- Members queried why there was no risk identified in relation to the declining number of cash days in hand? The Director of Finance confirmed that the register would be updated for the following term to reflect the risk raised. Noted
- Members noted the arrows identifying the direction of travel for the risks identified.
- Members discussed the need for an assurance framework and the Director of Finance confirmed that this was a work in progress and was also being monitored by the Audit Committee as part of its monitoring of recommendations. Noted

Director of Finance

Report RECEIVED.

13. Any Other Business

- **Draft work plan** – Noted.
- Members discussed the start of the academic year and the level of retention and attendance. The Principal summarised delivery of the 6 week programme which had impacted positively on early retention figures. Noted.

14. Date and Time of the Next Meeting

- Wednesday 11 March 2015 at 5.00 pm Wandsworth Campus.

Signed By: _____

Date: _____