

FINANCE & RESOURCES COMMITTEE

DATE: WEDNESDAY 11 MARCH 2015

PLACE: RM 410 WANDSWORTH CAMPUS

TIME: 5.00 pm.

PRESENT: Andrew Brown (Committee Chair) Godfrey Allen (Chair of the Corporation), Jonathan Hick, Sue Rimmer (Principal), Cllr Jim Maddan, Paul Robinson

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

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 26 November 2014.

The minutes were approved and signed by the Chair.

4. Matters Arising:

- **Loan Covenants Update** - The Director of Finance confirmed that he had written agreement that the loan covenants had not been breached and that FRS17 would not be taken in to account. Noted.
- **Format of Management Accounts** - Members noted that a new format had been prepared for the meeting.
- **Scenario plans** to be provided for non sale of Tower Block – Tabled at Management Accounts item on agenda.
- **Cash Flow Options** – Members noted that two formats had been prepared for information. Members confirmed that Annex 1 the summary cash flow would be useful with the management accounts in future. Noted.
- **Future Options** – Noted that this was covered on the agenda.
- **Franchise Provision Report** – Members noted the new format of the report.
- **Accommodation Strategy** – WIP – Members were informed that this was to be carried forward to the June meeting due to focus on the sale of the Tower Block. Agreed.
- **Planned Maintenance** - Report to Summer Term meeting – Noted
- **Risk Register** - Members noted that the risk register had been updated and was on the agenda.

5. Financial Procedures Update

- The Director of Finance confirmed that there were none to report.

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

Items discussed:

- Members were informed that the full year forecast showed a deficit of £1,112k an adverse variance of £618k against budget.
- Members discussed the points identified at paragraphs 1.2 to 1.5.
- Members reviewed in detail the points raised under paragraph 1.6 identifying the management actions being taken to address the forecast deficit.
- Members queried the forecast income identified and the Director of Finance confirmed that some assumptions had been made regarding achieving the income targets.
- Members noted that any shortfall in income could potentially tip the budget back in to a deficit position regardless of the actions identified at paragraph 1.6.
- Members noted the variances identified and discussion followed on the pay and non pay budgets.
- Members reviewed in detail the cash flow forecast tabled at the meeting identifying the expected out turn. Lengthy discussion followed on the conditions contained in the loan agreements and the covenants. It was noted that any breach of one loan covenant would trigger breaches in all the agreements.
- Members discussed section 2.4 in considerable detail including the process and timing of loan repayments and the financial strategy the College would need to employ to ensure financial viability and stability for 2015/16 and 2016/17.
- Members discussed the HE loan process and the timing and impact of this income and missed targets.
- Members challenged the targets set in the previous year and asked for reasons on why the target for income had not been achieved.
- The Director of Finance and the VP Planning and Resources identified issues with recruiting insufficient numbers, the reduction in fee income overall, the impact of the UK BA on visa applications and the general national trend in these areas.
- Members were informed that although the course file was rationalised last year that the significant impact of reduced adult numbers meant this needed to be even more strenuous this year.
- Discussion followed on the impact of the reduction students eligible for access courses on 24+ loans.
- Member's asked if the forecast for the remainder of the year was accurate.
- The Principal informed the Committee that it was difficult to provide an absolute assurance on this as external factors could still impact.
- Members discussed the need to be relentless in fixing and reviewing the budget in June to ensure that the following year was less subject to income fluctuations.
- Members discussed and acknowledged the unpredictability attached to co funded courses.
- Members discussed how achievable and realistic the management

actions were that were identified in paragraph 1.6.

- The Director of Finance conceded that in order to maintain viability of delivery that further expenditure in areas such as recruitment and agency was inevitable.
- Members expressed their concern at the target being to balance the budget and break even with a small surplus and proposed that a more robust end of year position should be the target.
- Members informed the Director of Finance that they would steer towards more significant actions to ensure that there was some latitude if one or more of the management actions could not be delivered in the time frame required. Agreed.
- Discussion followed on the potential of restructuring the loans with Barclays and Lloyds.
- Members noted that any restructure would also have cost implications.
- Members discussed financial management and tactical decisions in relation to debt repayment and the budget setting process for the following year.
- Members emphasised the need to explore income generation options that had the best chance of generating a surplus for the college.
- Discussion followed on the sale of the Tower Block and the potential capital raised.
- Members also discussed at length the pension debt to the Merton scheme which has been budgeted for at approx £2m.
- Members requested that the management accounts in future also contain the capital expenditure details on a separate line for monitoring purposes. Agreed.

Director of
Finance

Director of
Finance

Management Accounts RECEIVED.

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

Items discussed:

- The Director of Finance provided a brief summary of the report. Members noted the update at Annex A and the new providers identified, Cano Trading and QTS Ltd.
- Members noted the potential new franchise partner identified at paragraph 9 and the assurance given that work is only contracted to those companies which pass the due diligence process.
- Members noted the risks identified at paragraphs 14-16.

Report RECEIVED.

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

Resources.

Declaration of Interests Noted.

Items discussed:

- Members were informed that the marketing of the Tower Block had commenced and that 2 open days were planned in March. All bids were due to be received by 12 May 2015.
- Discussion followed on the potential market value of the site and the buoyancy of the local market.
- Members were informed that the College was working hard to resolve any outstanding telecoms mast removal issues and these were expected to be completed in the coming months.

- Discussion followed on the timescales involved and the need to progress works to enable the decant of the Tower Block to be completed by the start of the Autumn Term.
- Members discussed the implications of the work over running and missing the August deadline and were satisfied that there was enough flexibility and alternative space to accommodate this potential issue.
- Members were informed that the Merton capital project had experienced some over run due to power cables being discovered unexpectedly. Work was underway to bring the works back on programme and within budget it was hoped that the original timescales were still viable.
- Members were informed that the College had received confirmation that the bid to the LEP had been successful and that 1/3 of the costs would now be offset by a capital grant with the usual conditions attached. Noted.
- Members raised a query regarding any contact from Crossrail with regard to the Tooting centre? The Principal confirmed that no communication had been received.
- Members requested that the College be alert to any issue regarding development and or works as Crossrail were working hard to secure a halt to any developments proposed within 250 meters either side of the actual project. Noted.
- Members were informed that the College was working hard to secure the Section 106 notice in order to progress plans to schedule. Noted.
- Members discussed in detail the proposed delegation to the Principal of the authority to award the contract.
- Members were assured that £959k of the costs were direct construction costs with a small amount approx £60k for contingency.
- Members discussed the costs in detail and were assured that the Quantity Surveyor would be assessing all costs involved.
- Members discussed the process needed to ensure that decisions could be made swiftly if the bid exceeded estimates.
- It was agreed that any increase on the amount would need to be subject to written agreement by the Committee and potentially be the subject of a written resolution by the Corporation. Noted.
- The Director of Finance was asked to confirm that the proposals identified were fully compliant with the Financial Regulations.
- Members were assured by the Director of Finance that the Financial Regulations had been complied with.

Members APPROVED the recommendation to the Corporation that the Principal be delegated the authority to award the contract up to a value of £1m plus VAT following the formal tender and assessment process.

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

Items discussed:

- Members noted that the risks had been updated since the previous meeting.
- Members were advised that the College was awaiting written confirmation that it still had highly trusted status.
- Members noted the movement in key risks including HE and FE loans which were below target as discussed earlier in the meeting.

- Members noted that risks had been identified with regard to the loan covenants and cash flow.
- Members discussed in detail risk number 22 and queried what data was used to measure retention and progression and with what frequency?
- The VP Planning and Resources confirmed that retention was monitored on a monthly basis and that progression was measured annually.
- Members requested that information on retention and progression be added to the format of the report on Item 10 on funding and performance. Agreed.

VP
Planning &
Resources

Report RECEIVED.

10. Funding Performance Termly update 2014/15 – Presented by the VP Planning and Resources.

Items discussed:

- Members noted that the report largely reflected detailed discussions held at the Governors Development Event in February.
- Members noted the key points identified at paragraph 5 on the following:
 - 16-18 learners and funding income which will deliver below plan.
 - Apprenticeships which are on course.
 - Adult learners and funding income which is extremely challenging. Members noted that 20% of transitional funding was removed this year in addition the SFA has signalled that funding for adult skills is likely to reduce by approximately 25% next year which would result in a £3m loss of funding for the College.
 - Other income which shows a drop of £1.3m against target for this year. Members also noted the other indicators identifying low average group size, the impact of poor recruitment and attendance whilst being a 6% increase on the previous year is still below the College target of 90%.
- Members asked the VP Planning and Resources to identify the issues and reasons for the missed targets in recruitment.
- Members were informed that under recruitment of 16-18 year olds at the start of the year was an issue and that despite strenuous efforts since it had not recovered in year.
- Members discussed the importance of progression of existing students.
- Members were informed that improving progression was a significant focus in year and it was hoped that this would be evidenced in 2015/16.
- Members also discussed the apprenticeship vacancies that the College now had with employers providing the places but that take up by students was lower.
- Members discussed the business centre activities at length. Members emphasised the need to push for an increase income whilst making savings.
- Members noted that International and HE were still areas of challenge and emphasised the need for realistic achievable targets to ensure that the budget setting was as accurate as possible for the coming year. Agreed.

- Members discussed their experiences in other organisations and the VP Planning and Resources agreed to discuss this further with the International office.
- The Principal informed Members that the College was working hard to establish and build upon its HE partnerships to assist with growth in this area. Noted.
- Members again discussed the need for a focus on progression. The Principal outlined the work that had been undertaken in year and detailed discussion took place on the importance of robust assessment throughout the year and its impact on achievement and therefore progression.
- Discussion also followed on average group sizes and Members queried whether the breadth of provision was detrimental to this.
- Members also discussed the College demographic, geographical boundaries and challenges in delivering mirrored provision across two sites.
- The Principal also identified the need to grow access courses again following the impact of FE loans.
- Debate followed on the levers that central government used to control spend in FE.

VP
Planning &
Resources

Report RECEIVED.

11. Curriculum Offer 2015/16 – Presented by the VP Planning & Resources.

Items discussed:

- Members were informed that this report had also been submitted to Quality and Performance Committee for comment and would come to the Corporation. Noted.
- Members requested more information on emerging numbers for the following year by school/curriculum area. The VP Planning and Resources agreed that this would be useful and would be updated for the next meeting.
- Members were informed that the report had been written prior to the expected £3m reduction in the Adult Skills Budget and therefore this had not been fully reflected. Noted.
- Members queried the assumptions in the report and whether or not this was based on a break even outcome? It was agreed to discuss this under Item 12.
- Members queried the fluctuations identified and the VP Planning and Resources confirmed that this was largely down to the profiling of recruitment in each area. For example Princes Trust recruited termly. Noted.
- Members discussed recruitment in the Business Centre and the VP Planning and Resources confirmed that there was capacity for an increase it was just unknown as to whether or not this could be achieved.
- Members queried whether there were any other risks or trends that they needed to factor in.
- Discussion followed on the potential fall out of the general election and the challenges that could ensue.
- Members queried paragraph 24 and asked how realistic the model was in terms of achieving the income?
- Members were assured that there was no immediate turn around

VP
Planning &
Resources

expected but that discreet strategies were in place across all areas in an effort to turn around the situation and increase income. Noted.

Report RECEIVED.

12. Budget Construction 2015/16 – CONFIDENTIAL ITEM
Subject to a separate confidential minute

13. Fees Management Policy – Presented by the Director of Finance.

Items discussed:

- The Chair sought assurance from the Director of Finance that all SFA and appropriate guidance had been consulted and that the policy was fully compliant. This was confirmed. Noted.

Report and updated Fee Policy APPROVED for recommendation to the Corporation.

14. Treasury Management Annual Report – Presented by the Director of Finance.

Items discussed:

- Members were advised that the annual report was on activity in the past financial year and in the same format as previously reported. Noted.
- Member's attention was drawn to the additional information detailing the loan repayment schedules.
- Members were informed that Barclays were now offering a premium rate on a fixed interest account which was beneficial to the College. Noted that funds would be transferred to this account.

Report RECEIVED.

15. Any Other Business

- **Terms of Reference** – The Clerk requested that Members email her with any recommendations regarding the format and content of the Terms of Reference. It was noted that comments would be fed back to the Search and Governance Committee for consideration and any proposals returned to the July Corporation meeting for approval. Members confirmed that there were no immediate changes requested.

16. Date and Time of the Next Meeting

- Wednesday 17th June 2015 at 5.00 pm Wandsworth Campus.

Signed By: _____

Date: _____