

FINANCE & RESOURCES COMMITTEE

- DATE:** WEDNESDAY 15th March 2017
- PLACE:** RM 409 WANDSWORTH CAMPUS
- TIME:** 6.00 pm.
- PRESENT:** Andrew Brown (Chair of the Committee), Godfrey Allen, Jonathan Hick, Nanda Ratnavel, Sue Rimmer (Principal)
- IN ATTENDANCE:** Christopher Wright, Deputy CEO
Ralph Moran, Director of Finance
Caroline Waters, PA to Principal

1. **Apologies for Absence**
Natalie Watt, Clerk to the Corporation.
2. **Declarations of Interest**
None
3. **Minutes of the last meeting held on 23 November 2016.**
The minutes were approved and signed by the Chair of the Committee.
4. **Matters Arising:**
 - Due Diligence** – The Deputy CEO confirmed that the cost of legal due diligence would be shared equally by the 3 colleges.
 - Planning meeting with Buzzacotts** – The Director of Finance confirmed that the planning meeting with Buzzacotts for financial and audit timetabling of work for 2016/17 took place in November.
 - Management Account Variances reported outside of meetings** – The Director of Finance confirmed that variances will continue to be reported as requested by the Committee. Management accounts are released as soon as they are approved by the college senior management team
 - Partnership Appendix** – Report on the agenda.
 - Finance workstream update** – The Deputy CEO confirmed plans to rent out space in the heritage block at Wandsworth. Dimensions of the floor space available are currently being drawn up. This will enable discussions with a potential Agent to take place.
 - Update on Sales Team performance** – It was noted that the sales team had been discontinued and the College was focusing on targeted e-Marketing, which was seen as more cost effective.
 - Financial Regulations** – It was noted that the financial regulations have been updated to reflect comments from the committee. Terms of Reference have also been updated and uploaded to the intranet.

Tender Panels – It was noted that Kingston College and Carshalton College also use Buzzacotts for financial statements audit and therefore any retender of the contract needed to be considered in the light of the merger process

Risk 51 – The updated risk management plan was included as an agenda item.

TOR revised – This matter is carried over to the next meeting for an update from the Clerk to Corporation

5. Financial Procedures update

- There were no matters to report.

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

Items discussed:

Members raised the following questions in advance of the meeting, the responses for which are also provided below:

- A full explanation of the moves in line items related to LCCA and the reasons for under-delivery? It was confirmed that £500K net profit was included in the budget in income from the LCCA project and no costs were included at that stage. Once the financial structure was finalised the costs and the income needed to be reflected in the management accounts. The College would retain 15% of the income and therefore associated costs needed to be grossed up to £3.33m and £2.83m respectively.
- It was noted that the College reached the decision to limit LCCA enrolment to ensure learners met the entry criteria. Therefore, recruitment was lower than planned.
- Members discussed the financial implications of the lower than expected recruitment, being effectively a reduction in expected full-year contribution.
- Members discussed the trade-off between quality impact and financial outcomes, and agreed that quality delivery remained the dominant factor in this instance.
- GA queried that if learners were not suited to LCCA could they be offered a course at STC? The Deputy CEO stated that the college did not have the capacity to do this. NR asked if someone from the College visited LCCA regularly and it was confirmed that the College has a quality manager on site 3 days a week.
- How savings from the campus allocations of £1.3m discussed at the last meeting are shown? The Director of Finance confirmed that budget allocations for delivery areas were reviewed in light of actual recruitment and the number of groups within schools. To date savings of £692K have been achieved against the revised savings target.
- Confirmation that the improvement in forecast deficit of £928k reported in P5 accounts, includes all of the items previously expected but not yet included in the forecast (for 'mechanical' reasons)? The Director of Finance confirmed that the P5 accounts forecast recognises the forecast savings that were not included in the P4 accounts. Additional costs relate to deliberate management decisions on staffing to maintain operations. It was confirmed that there is further work ongoing through budget reviews to increase the savings.

- Changes in Pay expenditure between periods? The Director of Finance confirmed that the increase of VT claims between P5 and P6 related to the timing of claims for December and increased costs related to management decisions.
- Members discussed where all of the movements left the college in terms of performance versus budget since the last discussion.
- Members were informed that there had effectively been a worsening versus budget of c.£100k. Members noted this and the need for further in-year actions to recover the position by year end.
- Members expressed concern about the shortfall in HE. The Deputy CEO confirmed that this was due a number of new initiatives not recruiting to plan and lower than expected number on Higher National courses. Live Sound Engineering was discussed as an illustration of the need to align demand and recruitment plans.

Management Accounts RECEIVED

7. Curriculum Planning 2017/18 – Presented by the Deputy CEO.

Items discussed:

- The Deputy CEO provided an update on the curriculum planning process for 2017/18.
- The College is currently aligning its planning process with Kingston College and Carshalton College with the first draft to be prepared by the end of March.
- Members queried the planning input for group sizes of 20, versus the historical outturn which tends to be much lower. Members were informed that this reflected the recruitment target rather than the expected outcome.
- The curriculum plan for 2017/18 will be reported to the summer meeting of the Committee.

DCEO

Report RECEIVED

8. Staff Pay Award – Presented by the Principal

Items discussed:

- The Committee considered the 0.5% pay award (the AoC have recommended 1%) but it was concluded that at this time it was not financially viable for the College.
- The Committee stated that if the merger goes through then members would not be averse to awarding the pay increase from 1st August 2017, subject to approval by the Corporation of the continuing institution post-merger.

Oral update RECEIVED

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

Items discussed:

- Committee members were asked to note the progress against subcontracting partnership contracts issued in 2016/17.
- It was also noted that the total planned level of partnership activity is £600k whilst the forecast success rates for all partners are a minimum of 95%.
- Attention was drawn to the fact that JAM training has fallen behind profile and their capacity to deliver the full contract value in 2016/17 is currently under review.

- The Chair of the Committee asked what the financial risk associated with a lack of delivery from JAM was.
- The Director of Finance confirmed that as the balance of delivery outstanding was £39k, the maximum impact on the financial position if no further delivery took place would be £8k. In addition, discussions are underway with an existing partner who have indicated they would be able to deliver the balance of the apprenticeship allocation.

Report RECEIVED

10. Estates & Facilities - Presented by the Director of Finance

Items discussed:

- The Committee were informed that due to the potential merger existing contracts have been extended to provide flexibility and opportunities for cost savings.
- The committee noted the recent activity across the College estate at paragraphs 4 & 5.
- The Committee were asked to approve the extension of the Engie (formerly Cofely) Mechanical & Electrical service contract by 1 year. Approved.

Report APPROVED

11. Risk Mapping Termly Update & Risk Assurance Mapping – Presented by the Director of Finance.

Items discussed:

- The Director of Finance highlighted the key changes to the Risk Management Plan (Annexe A) along with the key features of the Risk Assurance Mapping Schedule (Annexe B)
- The Committee noted the updates on Risk management. JH noted that efficiency gains was rated amber but as they are not yet on track it should be red. This was agreed by the Committee. The Director of Finance to amend accordingly.
- Members also queried why the operating cash flow measure was RAG rated as Green, despite the college having negative operating cashflow.
- The Director of Finance responded that operating cashflow was forecast to be positive in 2016/17, but overall cashflow was negative due to loan repayments, Lennartz and pension deficit reduction payments. It was agreed that the assessment of risk centred on whether operating cashflow was “sufficient” in these circumstances, and this risk would be assessed as “Red” in 2016/17.

DoF

Report RECEIVED

12. Budget Construction 2017/18 – Presented by the Director of Finance and Deputy CEO

Items discussed:

- The Director of Finance outlined the main points of the budget process.
- A discussion was held regarding the budget process for the merged college as well as for a stand-alone budget.

- It was agreed that a stand-alone budget would require more aggressive action regarding adjustments to expenditure.
- It is expected that there will be a reduction in provision in areas where there is loss making provision identified.
- The Deputy CEO confirmed that savings have been initially identified but the planning process is not yet completed.
- The Principal confirmed that a confidential paper will be presented to the next corporation meeting outlining the timetable for any changes to pay expenditure, which will be implemented after Easter.
- The Principal re-iterated the need to make savings independent of merger and to ensure that staff are aware that there would potentially be business cases regardless of whether the merger goes ahead.

Report RECEIVED

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

Items discussed:

- As requested the Fees Management Policy was re-issued to the committee with the tracked changes
- The policy was approved by the committee

Policy APPROVED

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

- Members noted the Treasury Management activity for 2015/16 and the year to date activity in 2016/17

Report APPROVED

15. Any Other Business:

- The Director of Finance informed the committee that the College had received a letter from the Skills Funding Agency giving a financial health score of Good
- The Chair of the Committee noted that he is abroad for the next Committee Meeting and that Godfrey Allen, Chair of the Corporation had kindly agreed to chair the meeting in his absence. The Chair of the Committee indicated an intention to attend the meeting via video conference if possible.

16. Date and Time of the Next Meeting

- 21st June 2017

Signed By: _____

Date: _____