

FINANCE & RESOURCES COMMITTEE

DATE: MONDAY 17 OCTOBER 2016
PLACE: RM 410 WANDSWORTH CAMPUS
TIME: 6.00 pm.
PRESENT: Andrew Brown (Chair of the Committee), Godfrey Allen, Jonathan Hick, Sue Rimmer (Principal).

IN ATTENDANCE Natalie Watt, Clerk to the Corporation
Julian Grindell, Consultant
Christopher Wright, Deputy CEO
Ralph Moran, Director of Finance

1. **Apologies for Absence**
None
2. **Declarations of Interest**
None
3. **Minutes of the last meeting held on 22 June 2016.**
The minutes were approved and signed by the Chair.
4. **Matters Arising:**
 - **Agency Staff** – Covered in agenda item 6
 - **Staff Utilisation** – Covered in agenda item 6
 - **Risk Assurance** – Members were informed that this had been completed and a full report would come to the termly meeting of the Committee. Noted.
 - **Attendance Case Studies** – No case studies were available but attendance was referenced in the position statement at item 7. Noted.
 - **Overspend on staffing and fire system** – Budget contingency increased as requested.
 - **Trend analysis** – Covered in agenda item 6.
 - **Detailed review of budget overspends by School** – C/F to be carried forward to Termly meeting in November. Agreed.
 - **Risk Register** – C/F Consideration to be given to inclusion of VT spend in the risk register at next meeting.
 - **Sales Staff Update Report** – C/F to next termly meeting to include an analysis on impact.
 - **Capacity of each site – Space Utilisation Report Tabled** – see below.
 - **Dash Board** – C/F to include utilisation as part of the dashboard information available for Governors update on readiness to next meeting.

Director of
Finance
Director of
Finance
Deputy
CEO

Deputy
CEO

- **Funding Performance Update** – detailed analysis on underperformance captured in agenda item 6.
- **Budget Controls for VT's** – The Director of Finance assured Members that this was tightly controlled and all expenditure had to be pre-approved. Members queried the robustness of this measure in particular if late claims are submitted as the College has already received the service and is therefore required to pay. The Director of Finance conceded that this was always a challenge at the end of the year and further thought would be given to restricting staff's ability to submit late claims. Noted.
- **Pay Benchmark Information** – Noted that the Principal had provided this to the Corporation in July as requested.
- **Pay Increase** – Noted that this item had been brought to the Corporation for consideration in July by the Principal.
- **Breakdown of Capital Spend and Maintenance costs – C/F** It was agreed that this would be reported as part of normal cycles to the next Committee in November. Noted.
- **Loan Repayment** – The Director of Finance confirmed that the Lloyds Loan of £3.4m had been repaid on 13th October 2016 but that legal representation was now in place to challenge the break costs that Lloyds were seeking to impose of £936k. It was agreed that update on this would be reported as and when there were any developments.
- **Management Accounts** – requested to be provided in a timely manner. Agreed.
- **Additional Meeting** – Action completed.

Director of Finance

Director of Finance

Space Utilisation Report Tabled –

- Members received the report and noted that the overall utilisation was at 26.5%. Members were advised that there were a total of 11,000 hours available of which 4,900 were timetabled.
- Discussion followed on how the figures were collated.
- Members were advised that 26% was the sector average for classroom usage.
- The Director of Finance confirmed that a room utilisation survey would be undertaken after half term.
- Members enquired about how attendance registers were used to triangulate usage but were informed that they were not used for this exercise.
- The Director of Finance confirmed to Members that room utilisation was monitored by SLT periodically (annually).
- The Chair of the Corporation commented on the need for the focus to be on maximising enrolment to fill the space. Discussion followed on the higher usage levels at Tooting and the different profiles of each campus.
- Noted that this would be included for annual monitoring on the Committee work plan. Agreed.

Clerk

Report RECEIVED.

5. **Management Accounts** – Presented by the Director of Finance.

Items discussed:

- Members queried paragraph 3.2 and asked why collectable fees was

reported at this level. The Director of Finance informed the Committee that the unpaid fees accumulate towards the end of the year. Currently the College does not undertake any legal action to recover these costs.

- The Director of Finance confirms that all unpaid fees are signed off by him.
- Members were informed that a 3rd party company was paid and retained to recover costs where possible but that action taken fell short of legal action.
- Members discussed whether taking legal action would make a difference. The Director of Finance conceded that this approach had not been tested. Members queried whether this unpaid element could be planned for better?
- The Director of Finance informed Members that the College did its best to manage fee collection and confirmed that no financial checks on an individual's ability to pay were made at enrolment. Noted.
- Members discussed the underperformance of HE against target. Members discussed the impact of a limited HE offer and the challenges of delivery in this area.
- Members discussed in detail the overspend on estates and facilities. It was noted that print costs were centralised and that the cost of internal transfers related to an under recovery against the budget.
- Members noted the costs of the merger work were £160k for 2015/16.
- Members queried what costs came within the miscellaneous area. Members were informed that the cost of membership of the 157 group, legal advice, and employment Tribunals etc. that were not covered by Insurance were all allocated against this budget.
- The Director of Finance confirmed that the College was still expecting to be paid the £700k being held back following the sale of the Tower Block in due course. Noted.
- The Chair of the Committee asked the Director of Finance to again note that the Management Accounts had been requested on a monthly basis. Noted.
- Discussion followed on FRS102
- Members noted that paragraph 6 shows the operating cash flow as negative.
- Discussion followed on agency costs and the detailed breakdown provided.
- Members noted that the main issue was the late submission of invoices and discussion followed on how this could be resolved. The Director of Finance assured Members that the Finance Team would be on top of this during this year.

Management Accounts RECEIVED.

6. Financial Review - Lessons Learned– Presented by the Director of Finance and Deputy CEO.

Items discussed:

- The Principal informed Members that the College had been taken out of Barclays business support following the sale of the Tower Block. Members discussed the possible criteria for being in business support. Update noted.
- The Principal discussed the external context of the FE sector and the impact on finances.

- The Chair of the Committee emphasised the need for the College to get ahead of the need for substantive action much earlier on in the academic year.
- Members of the Committee raised concerns around the income forecasting systems in place.
- The Director of Finance confirmed that an audit had recently taken place and a formal report was awaited.
- Members noted the need for this to be flagged up to ensure that the Audit Committee were aware of their concerns regarding this issue. Noted.
- Discussion followed on the systems and controls in place and the Director of Finance assured Members that robust controls were in place and that these had been strengthened post audit.
- Members expressed concern that easy to control expenditure did not appear to be tightly controlled enough and that if the easier items were not being managed the College would find it impossible to control the more complex income issues. Noted.
- Discussion followed on appendix F and the spend on VT's. Members again expressed concern over the control of VT hours and spend.
- The Deputy CEO assured Members that the data had been carefully reviewed to improve the forecasting for 2016/17.
- Members queried whether annex E and F were improvements on previous years?
- Discussion followed on the flexibility provided by the use of VT's, however, the Principal acknowledged the need for the spend to be more accurately projected.
- Members noted the point raised at 3.7.1 which identified an optimism bias in forecasting and queried how this would be different this year and managed going forward?
- The Deputy CEO confirmed that this had been acknowledged and actions taken when constructing the 2016/17 to ensure that this over optimistic view was not being carried forward.
- Members were informed that a hard close of management accounts would happen each month and would be reported to SLT and circulated to Members.
- The Chair of the Committee asked what risks were attached to having a more pessimistic bias. Members were informed that there was no slack in the system and staff were under increasing pressure to deliver so all targets and budgets needed to be realistic.
- Members stated the need for them to be able to keep the budget under close review as the potential growth areas could not be maintained across the board.
- Discussion followed on how the F&R Committee could keep a close watch on developments to get this assurance.
- The Director of Finance assured Members that there had been more focus on the use of trend analysis and data than in previous years.
- The Director acknowledged that previously emphasis had been placed on the January starts but that data did not support this emphasis and greater realism had been applied to what could be achieved in year.

**Chair of
Committee**

**Director of
Finance**

Report RECEIVED.

7. Position Statement 2016/17 – Presented by the Director of Finance

Items discussed:

- Members were informed that it was still early in the cycle to fully confirm income levels. The report sought to produce reliable income estimates; however, the date for data had yet to pass. Noted.
- The Deputy CEO confirmed that exact figures would be reported to the November termly meeting of the Committee, Noted.
- Members acknowledged the fact that the decline in 16-18 year olds has continued and that the College had lost volume in some areas. Noted that the impact of this continued loss in student numbers would impact on the following year.
- Noted that the report stated 68 below target but realistically this number was expected to be in the region of 200 less students in this area. Adult numbers have been harder to predict but presently are being forecast at £300k below target.
- Members were advised that the SFA has reintroduced tolerances and these are now set at 97%.
- Members' attention was drawn to the initiatives identified in the report. Noted.
- Members noted that the income was under target by £1.2m approx. And that the SLT needed to be brave to reduce costs to reflect this if alternative replacement income had not been identified.
- Members noted that some savings had been identified but that difficult decisions needed to take place as soon as possible to strip out hours where there was excess capacity.
- Members were advised that approx. £700k of possible additional savings had already been identified and that 5% reduction of pay and non-pay costs could produce a further £600k of savings. Members noted that an income review was also needed.
- Members noted that the tuition fee income for the previous year was significantly missed and queried if the budgeted amount was too high and optimistic? The Deputy CEO confirmed that fees were difficult to predict. Members stated that data was needed to support any explanations around missed targets.
- Discussion followed on HE loans and data was discussed in response to the request. Members were informed that £150k of expected fees had not materialised.
- The Principal informed Members that in addition the new HE courses had been established too late to make the UCAS listing which has impacted on enrolment.
- Access to bursaries has also ceased, discussion followed on the impact of the lifting of the cap on HE numbers for Universities.
- Discussion followed on teaching hours and establishment costs. The Director of Finance confirmed Members that Heads of School had all the tools needed to manage their budgets but that perhaps needed some development on how to use the tools.
- Members queried how this need would be met? The Director of Finance stated that training and development was in place and being delivered.
- Members expressed their concern that the savings already identified as necessary of approx. £1.2m needed to be delivered as quickly as possible?

Deputy
CEO

- Members also queried whether the savings went far enough given the likely under performance in the remainder of the year.
- Members requested that thought be given to a forecasting CPI that the Committee could use to help monitor delivery and assess how accurate the SLT are at forecasting.
- It was agreed that this would be submitted to the next meeting for consideration.
- It was also agreed that key variables would be further investigated by the SLT and that they would be assessed against any comparative data.
- Members also requested details of strategies that would be employed going forward to manage the budget in year. Agreed.

Deputy
CEO

Director of
Finance

Director of
Finance

Report RECEIVED.

8. Strategic Finance Presentation – Presented by Finance Consultants

Items discussed:

- The presentation covered the following areas:
 - Historical Trend Analysis and summary
 - Sector Comparison
 - Comparative Data
 - STC Financial Future
 - Strategies Going Forward
 - Securing Financial Viability
 - Three work streams were identified as follows:
 - **Income Generation Work steam**
 - **Curriculum Efficiency Work stream**
 - **Estates Strategy Work stream**
- Following discussion of the above the following actions were proposed and approved.
 - **Financial context is extremely challenging**
 - **Much has been achieved to reduce costs and improve efficiency**
 - **Reality is that more needs to be done**
 - **Three key work streams identified that need further exploration and supporting strategies**
 - **Ultimately these will dictate the future shape of STC**
 - **Must recognise that a self sufficient STC may require radical change**
 - **Update on key work streams to come to next F&R**

Julian
Grindell,
Deputy
CEO and
Director of
Finance

Presentation RECEIVED and actions APPROVED.

9. Any Other Business

None

10. Date and Time of the Next Meeting

- Wednesday 6pm 23 November 2016 Wandsworth Campus – **Apologies from JH noted for this meeting.**
- Wednesday 6pm 15 March 2017 Wandsworth Campus
- Wednesday 6pm 21 June 2017 Wandsworth Campus

Signed By: _____

Date: _____