

GOVERNING BODY

FINANCE AND RESOURCES COMMITTEE

Minutes of the non-confidential section of the meeting held on Thursday, 17th June 2010 at 6.30 pm in the Richmond Business School

Present:	Mr T.C. Lim, Chair of the Committee Dr Tim Woolmer Ms Siân Bates MBE Ms Christina Conroy OBE, Principal and Chief Executive Mr Manoj Nanda Ms Helen Szyra
In attendance:	Ms Judith Potter, Vice Principal (Finance & Corporate Services) Mr Paul Coveney, Clerk to the Governing Body and College Secretary
Apologies:	Ms Gabe Flint, Vice Principal (Curriculum & Quality)

Part 1 (Non-confidential items)

1. **MINUTES** of the meeting on 18th March 2010 were, with a minor amendment, approved as a correct record and signed by the Chair.
2. **MATTERS ARISING**
 - Item 5: With reference to funding for the Six Month Offer, the Principal reported that the College was on profile, and had secured an extra £50K funding over 2 years.
 - Item 8: The Vice Principal (Finance & Corporate Services) advised the Committee that an increase in VAT was widely forecast for the budget on 22nd June, but it was not known when any increase would take effect. She reported that RSM Tenon had offered to invoice the College in advance for an agreed programme of work for 2010/11, if this would result in a lower VAT liability for the College. The Committee noted that the IAS programme for 2010/11 was due to be approved by the Governing Body on 1st July 2010.

The Committee decided that, should it result in a VAT saving for the College, RSM Tenon's offer of invoicing in advance should be accepted, once the Governing Body had approved the IAS programme for 2010/11.

3. **DECLARATIONS OF INTEREST**

There were none.
4. **MANAGEMENT ACCOUNTS AND CASH FLOW MANAGEMENT**

The Vice Principal (Finance & Corporate Services) advised the Committee that she had, since the papers for this meeting had been sent, seen the accounts for May 2010: the biggest risk remained the Employer Responsive targets for the remainder of 2009/10. Tuition fees were on target to achieve £1.765m, the College was confident that it could achieve £5.6m for payroll, and even after the restructuring costs the College expected to make a small surplus assuming Employer Responsive projections are achieved. Referring to the KPI's, she said that payroll at 70% of turnover was at the top end of the target range, but the restructuring plans were expected to reduce this percentage for 2010/11.

The Committee noted the Management Accounts and Cash Flow Management report.

5. **ENROLMENTS AND FUNDING**

The Vice Principal (Finance & Corporate Services) reported that the funding consequences of target achievement and underachievement were constantly being changed, even this late in the year: the funding regime was hugely complex, as were its implications for future years. As reported under item 4, the main area of concern remained the Employer Responsive funding.

The Committee noted the enrolments and funding update.

6. **CAPITAL PROJECT**

As Chair of the PMG, Tim Woolmer drew the Committee's attention to the fact that the cost of the South wall restoration was £41K (not £411k as shown in the paper). He reported that the roof was now nearly complete, and that the quality of the work was good, the order for the boiler replacement had now been placed, and that the decision to use railings for the main perimeter meant that the overall cost of the perimeter would be nearly 50% less than the originally budgeted figure of £200K. With regard to the car park charging, LBRuT had verbally confirmed that their work necessary for this would be completed in time for the College to start charging in September.

As Chair of the PMG, Tim Woolmer informed the Committee that the Head of Estates had undertaken much of the project management work, and so saved a lot of money for the College. He was also preparing a display on the environmental benefit of the works.

The Committee asked that its thanks and congratulations be passed to the Head of Estates.

JP

The Committee recommended that the September meeting of the Governing Body should be held at Clifden, starting with a tour of the works at 5:30 pm.

Clerk

The Committee noted the Capital Project report.

7. **IT INVESTMENT STRATEGY 2010/2011**

The College Secretary reported that six suppliers had submitted tenders: these had been evaluated in the context of the selection criteria set out in the ITT, and a shortlist of three suppliers had made their presentations to the selection team earlier that day. The panel had been unanimous in their initial selection of a preferred supplier, and the final decision would be finalised by Monday, 21st June 2010, subject to contract.

The Principal informed the Committee that the contribution of the ITS team had been good, which the Committee noted with satisfaction.

The Committee noted the IT investment report.

8. **COLLEGE BUDGET 2010/11 AND 3 YEAR FORECAST AND CAPITAL PLAN**

The Vice Principal (Finance & Corporate Services) reported that the £5.2m for funding was now allocated, except that the ER figure had yet to be finalised; for Projects/Other Income, £90K had already been secured, and a further £70K was pending.

With regard to expenses, the payroll numbers were reasonably firm and took account of the current restructuring programme; the College was expecting lower energy costs as a result of the 2009/10 investment, and the Supplies and Services total included costs from the IT project. The College considered it prudent to make provision for restructuring costs in future years.

Turning to the 3-year projection, she reported that the funding and government environment generally made projections very difficult: the College had assumed that adult funding would continue to decline, but that the College would have continued success with younger learners, and that there may be some increase in Adult Safeguarded Learning and Employability Grants. However, an overall decline in funding meant that the College would have no choice but to reduce payroll costs and overheads.

With regard to the capital budget, the IT capital split between 2009/10 and 2010/11 would be revised before the Governing Body meeting on 1st July 2010. In general, the College would adopt a cautious approach to capital spending for the future, as the expected absence of a large surplus meant that reserves would need to be carefully managed. There were three particular proposals for Clifden for the three-year period: refurbishment of the Sports Hall for conversion to a Learning Resource Centre and canteen; restoring the Clifden Hall to its former size for use as a sports area; and removing the existing LRC so that the area could be used as a reception area similar to that in Parkshot. The College recognised that it needed high quality facilities and infrastructure in order to be able to charge high fee rates for leisure learning in the future.

JP

With regard to possible VAT increases, the College had modelled both the Capital Project and the IT investment taking substantial increases into account: the general approach would be to absorb any increase into the contingency, with the objective of stabilising the College's cash at about £3m.

The Committee recommended the College budget 2010/11, 3 year forecast and capital plan for approval by the Governing Body.

9. **FEES AND CHARGES FOR 2010/11**

The Vice Principal (Finance & Corporate Services) reported that these had been considered by the SMT since they had been presented to the last meeting of the Committee. Revisions included setting the art studios/workshop rate at £4 per hour rather than £5, and the GCSE/AS A2 rate at £5 rather than £6. Also the administration fee was to remain at £10 for 2010/11.

In considering the facilities hire rates, the Committee noted that the College intended to offer facilities as a simple hire, rather than organising large third party events: the revised rates reflected this.

The Committee recommended the proposed fees and charges for 2010/11 for approval by the Governing Body.

The Committee delegated to the Principal the setting of hire rates for College partnership events.

10. **FINANCIAL REGULATIONS 2010/11**

The Committee noted that the changes made since 2009/10 were largely to recognise the College's decision not to replace the Director of Finance and the changes in the machinery of government since the abolition of the LSC.

The Committee recommended the Financial Regulations 2010/11 for approval by the Governing Body.

11. **BENCHMARKING**

The Committee considered the RSM Tenon report comparing the College with other London GFE colleges, and noted in regard to the payroll comparisons that the College was better than the benchmark except in those areas which were the subject of the current restructuring. The Principal informed the Committee that Ofsted had assessed the College's value for money as outstanding.

The Committee noted the benchmarking report.

12. **CATERING**

The Vice Principal (Finance & Corporate Services) reported that there were now two months' figures available since 7 Day had started providing the service as a replacement for Pabulum. While the Clifden service was satisfactory, Parkshot posed a problem: there was increasing local competition, and this had resulted in significant losses for the Parkshot catering. It had been decided that the offer should change fundamentally: it would be more like a coffee bar than a restaurant, and would use high-quality vending machines instead of the current under-utilised staff. The eating area itself was good, and would support such an operation. The College would look for local suppliers to provide event catering. The Vice Principal (Finance & Corporate Services) would work with 7 Day with the aim of providing a break-even offer by September: there would be costs for the College associated with new machines and redundancy costs. She would report to the next meeting of the Committee.

The Committee noted the catering report.

13. **PENSIONS**

In considering the warning from the LBRuT LGPS actuaries, the Committee noted that it was possible for the College to challenge the assumptions made by the actuaries in their FRS17 valuation for 31st July 2010. The Vice Principal (Finance & Corporate Services) reported that she had discussed with LBRuT the fact that the College was likely to differ from other stakeholders in terms of, for example, pay rise assumptions. When the figures were released, she would consider whether it would pay to ask Grant Thornton to undertake a comparison of the assumption figures in general.

The Committee noted the pensions report.

14. **ANY OTHER BUSINESS**

- The Committee noted that the Skills Funding Agency's PFA validation of the College's FMCE return had confirmed the College's self-assessed grade of Outstanding for its financial management and control arrangements.
- The Principal tabled a letter she had that day received from the Minister of State for Further Education, Skills and Lifelong Learning. The Committee welcomed the Minister's decision to allow colleges, except those with poor performance, to move funding between their adult learning and employer responsive budgets, and his wish to move away from the current detailed and frequent performance monitoring in relation to the activities delivered through the employer responsive budget. The Committee also noted with interest the minister's intention to work with his ministerial colleagues to introduce the removal of Ofsted inspections for colleges with outstanding performance.

This part of the meeting ended at 8:20 pm

The following item was considered in Part 2 of the meeting.

15. **RISK MANAGEMENT**

The College Secretary reported that the SMT had decided to review the risk register: the containing actions would be updated to reflect the operational plan for 2010/11 (and a day in September had been set aside for this purpose), and the risk owners would review the performance indicators, some of which had proved less than helpful as indicators of progress in the management of risk.

In considering risk 13 (financial viability) the Committee asked whether it was realistic to retain the objective of maintaining turnover at around £10m. The Principal replied that this was a three-year objective: the College's intention to examine new methods of working and delivery approaches was intended to contribute to this goal over time. The Committee noted that the PMG had proved effective in managing the risk of cost over-run for the Capital Project.

The Committee noted the risk management report.

CHAIR