

GOVERNING BODY

FINANCE AND RESOURCES COMMITTEE

Minutes of the non-confidential section of the meeting held on Thursday, 14th October 2010 at 6.15 pm in the Richmond Business School

Present:	Dr Tim Woolmer, Chair of the Committee Ms Christina Conroy OBE, Principal and Chief Executive Mr Naren Ramachandran
In attendance:	Ms Judith Potter, Vice Principal (Finance & Corporate Services) Ms Grozdenka Mateeva, Finance Officer Mr Paul Coveney, Clerk to the Governing Body and College Secretary
Apologies:	Ms Siân Bates MBE, Vice Chair Ms Annette Ferguson (non-Governor member) Ms Gabe Flint, Vice Principal (Curriculum & Quality)

The meeting remained quorate throughout.

Before opening the meeting, the Chair welcomed Naren Ramachandran and Grozdenka Mateeva to their first meetings of the Finance & Resources Committee.

Part 1 (Non-confidential items)

1. **MINUTES** of the meeting on 17th June 2010 were, with a minor amendment to correct a typing error, approved as a correct record and signed by the Chair.

2. **MATTERS ARISING**

- Item 2: The Committee noted that the increase in VAT would take place in January 2011, and that the IAS programme for 2010/11 had been approved by the Governing Body on 1st July 2010. The College would therefore accept RSM Tenon's offer to invoice the agreed programme in advance.
- Item 13: the Vice Principal (Finance & Corporate Services) advised the Committee that the LGPS report for 31st July 2010 was expected in the following week.

3. **DECLARATIONS OF INTEREST**

There were none.

4. **TERMS OF REFERENCE FOR 2010/11**

The Committee received its terms of reference for 2010/11, noting that there were no substantive changes from 2009/10.

5. **MANAGEMENT ACCOUNTS AND CASH FLOW MANAGEMENT**

The Vice Principal (Finance & Corporate Services) reported that the distributed paper was as submitted to the Governing Body on 23rd September 2010: the approved management accounts for the period ending 30th September were not yet available. She reminded the Committee that the shortfall in income for 2009/10 was largely due to the high proportion of Employer Responsive provision that had been subcontracted (rather than delivered by RACC direct), the impact of the recession on the College's ability to generate full cost fee income to the extent budgeted, and the extreme shortage in the sector generally of discretionary, contestable project funding. Recognising this early in the year, the College had frozen recruitment, severely restricted general expenditure, and implemented a programme of restructuring (achieved through voluntary redundancies, retirements and resignations) in order to achieve a balanced budget for 2010/11. Much of the restructuring cost had been borne in 2009/10, but the College recognised the need to manage expenditure carefully in 2010/11.

The Vice Principal (Finance & Corporate Services) tabled an early draft of the management accounts for the period ending 30th September 2010. She reminded the Committee that the budget was annualised over the 12 months starting 1st August 2010, whereas teaching activity did not start until September: therefore comparisons at this stage with budgeted income and expenditure should be interpreted in that light: there were several timing

differences. Also, some costs were front-loaded for the year: for example, cleaning had included an extensive "deep clean" before the start of term.

The Committee asked how much of the expense budget was structural, to which the Principal replied that a large part of the teaching costs were variable, in view of the large number of sessional teaching staff employed. The College recognised the need to balance the financial viability of individual courses with protecting the coherence of the curriculum offer, especially with regard to learner progression opportunities: the College planned to improve further its market segmentation, including an analysis of price sensitivities within the market.

The Committee noted the management accounts report.

6. ENROLMENTS AND FUNDING

The Vice Principal (Finance & Corporate Services) reminded the Committee that the report showed actual enrolments against targets for the year to date as at 4th October 2010. There had been some relaxation for 2010/11 in the SFA management of targets: in particular, the sub-targets for Adult Learner Responsive funding no longer applied. In general, the enrolment position was satisfactory for this stage of the year. The percentage for 16-18 appeared low at 52%, but the Committee should be aware that the College had more programmes coming on in January 2011, and also the targets were twice as high as for 2009/10. The area most at risk was Employer Responsive, but for 2010/11 the College could vire this funding between ER and ALR provision, which was an attractive option in view of the College's established strengths in ALR provision.

The Committee noted the enrolments and funding report.

7. CAPITAL PROJECT

In considering the report from the Programme Management Group, the Committee noted that the work approved for 2009/10 was largely complete, although there had been some time overrun as a result of poor weather and LBRuT planning delays. The work was all of a high quality, and would be achieved within the approved capital budget, even though there had been some additional costs incurred (both unavoidable and elective).

The Vice Principal (Finance & Corporate Services) reported that the auditors had confirmed that the LBRuT 61% contribution to the CTC costs would be treated as income, and that the College had received the SFA £225K renewal grant money in September 2010.

In reviewing the College's allocations of the approved capital budget for 2010/11, the Committee noted that the actual CTC costs were expected to be about 75% of the budget, and that initial quotes received for bringing the Sports Hall back into use were in the range £90K to £120K. Replacing the windows for the T floor was expected to cost c. £25K, and for the creche c. £16K. The College was commissioning a survey of the Richmond Business School roof, as tile slippage and breakage had been noted.

The investment programme for 2010/11 would be considered by the PMG at its next meeting on 1st November 2010.

The Committee noted the Capital Project report.

8. IT INVESTMENT STRATEGY 2010/2011

In considering the IT investment report, the Committee noted that the main hardware and software was being provided by Viglen, who were also acting as project managers: this was a fixed price contract, subject to change control for variations in the College's requirements. The new data centre in Parkshot was now complete to a high level of specification.

While there remained further items to be costed in final detail, the Committee noted that current projections showed a significant contingency within the approved capital budget.

With regard to the main project, the Vice Principal (Finance & Corporate Services) reported that the new switches had been installed, and the new servers had been tested offsite and (following acceptance inspection by College ITS) had now been delivered to site. The main network migration was planned for half term, with full implementation at the desktop planned for the Christmas break. Other work, such as wi-fi installation, would then follow. She further reported that a test facility was being established for the new infrastructure: this would support not only user training, but also piloting new curriculum delivery methods such as blended e-learning.

The Committee asked what the impact of the investment would be on running costs, to which the Vice Principal (Finance & Corporate Services) replied that an increased budget had been included in the College's three-year forecast, although the final details were not fully established.

The Committee noted the IT investment report.

9. **INSURANCE 2010/11**

The Vice Principal (Finance & Corporate Services) reported that the College aimed to hold its insurance costs flat year on year, and had succeeded in achieving a slight reduction for 2010/11.

The Committee asked whether the College considered that the brokerage fee was good value for money, to which the Vice Principal (Finance & Corporate Services) replied that it was: it covered the handling of all claims as well as managing the annual cost overall, and this represented a considerable saving of management time.

The Committee noted the insurance arrangements for 2010/11.

10. **BUSINESS PLAN AND RISK MANAGEMENT**

The Principal reminded the Committee that the Governing Body had approved the Strategic Plan 2009/12 on 23rd September 2009. The business plan set the detailed activities for the year 2010/11 (approved by the SMT) within the context of the overall strategy, as well as establishing the risk management framework. The plan recognised eight areas of development, derived from the approved strategic imperatives.

The Finance & Resources Committee would scrutinise the following areas:

- Digital solutions and delivery,
- Financial success, and
- High quality learning environments.

Scrutiny would relate to the identified performance indicators.

The Committee noted the business plan and risk management report.

11. **CATERING**

The Vice Principal (Finance & Corporate Services) reminded the Committee that she had reported to the last meeting on 17th June 2010 that the College intended to close the Parkshot canteen because of declining sales, and replace it with a vending machine operation. Unfortunately, the suppliers had installed the machines late, and not provided adequate training for the staff. The resulting service was poor, and resulted in several complaints from users. The College had decided to trial a coffee bar style of operation, provided at peak hours only by using cleaning staff to make hot drinks to supplement the vending machine and simplified catering offer. Initial reaction had been favourable, and the trial would continue for the current term: the College would report results to the Committee. She added that the Clifden catering contract was working well.

JP

The Committee noted the catering report with approval.

12. **ANY OTHER BUSINESS**

a) Procurement savings

The Vice Principal (Finance & Corporate Services) advised the Committee that the College was making increased use of consortia in its purchasing. These included OGC, CPC, London Universities and Kent Consortium (for energy). Substantial savings had been achieved in revenue purchases (although there was some scope reduction to be factored into the figures), but the main impact had been on capital procurement, where savings totalled c. £270K from a total spend of c. £2m.

The Committee noted the procurement savings report with approval.

b) Additional freedoms

The Committee noted that the College had the previous day received a letter from the Minister of State for Further Education, Skills and Lifelong Learning to the effect that the Government intended to legislate to reduce the requirement for FE Colleges to have all borrowings approved by the Skills Funding Agency, and to review all conditions in the Financial Memorandum as part of a wider assessment of freedoms.

On the same day, the College had received a further letter from the BIS Director of FE and Skills Investment notifying the decision of the Office of National Statistics to reclassify FE Colleges part of central government, rather than part of the private sector. The reclassification was retrospective, with effect from 1st April 1993.

The Committee noted the letters from the Department of Business, Innovation and

Skills.

c) SFA financial health

The Committee received a copy of a letter dated 12th October 2010 from the SFA to the Principal. This stated that the Agency had calculated the College's 2009/10 financial health as Good, rather than the College's self assessed Outstanding (which had been based on the 3-year financial forecast submission, as approved by the Governing Body on 1st July 2010). The reason was that the College was showing a deficit after restructuring costs in the 2009/10 projections. The SFA considered that the cost of staff restructuring should be considered above the line for the purposes of the assessment, whereas the College had treated it as a below the line exceptional item. The Principal advised the Committee that the assessment could be returned to Outstanding, depending on the level of surplus shown in the final audited accounts for 2009/10.

The Committee noted the SFA assessment of the College's financial health.

This part of the meeting ended at 8:05 pm

CHAIR