

## GOVERNING BODY

### FINANCE AND RESOURCES COMMITTEE

Minutes of the non-confidential section of the meeting held on Thursday, 16<sup>th</sup> June 2011 at 6.15 pm in the Richmond Business School

Present:	Dr Tim Woolmer, Chair of the Committee Ms Siân Bates MBE, Vice Chair Ms Christina Conroy OBE, Principal and Chief Executive Ms Toyin Allen Mr Naren Ramachandran Mr Christopher Caldwell (non-Governor member) <i>[Items 5 to 13]</i>
In attendance:	Ms Gabe Flint, Vice Principal (Curriculum & Quality) 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:	There were none.

#### Part 1 (Non-confidential items)

1. **MINUTES** of the meeting on 16<sup>th</sup> March 2011 were, with a minor amendment to correct a typing error, approved as a correct record and signed by the Chair.

2. **MATTERS ARISING**

- Item 8: the Principal advised the Committee that, as reported under item 9 on this agenda, the SFA capital grant had been used in respect of works at Parkshot: the chimney repairs, work to the RBS roof, boiler and new data centre.

3. **DECLARATIONS OF INTEREST**

There were none.

4. **ENROLMENTS AND FUNDING UPDATE**

The Vice Principal (Finance & Corporate Services) reminded the Committee that funding in respect of 16-18 Learner Responsive and 19-24 LLDD were block grants, and not subject to clawback. The College had only just been notified by the SFA (Financial Guidance) that the Adult Learner Responsive funding was subject to clawback if it were not drawn down by 31<sup>st</sup> July 2011. The College's current expectation was that 93% of the funding would be drawn down: a shortfall of c. £228K. This was in variance to previous years where a tolerance % had been given.

*The Committee noted the enrolments and funding report.*

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

The Vice Principal (Finance & Corporate Services) reported that the SFA had this week confirmed that any ALR funding shortfall would be clawed back: the College would strive to mitigate the expected shortfall, but all such mitigation would need to be achieved by 31<sup>st</sup> July 2011 at the latest. The submitted paper had been prepared before the College had been informed of the SFA position: it showed two possible outturns for the year 2010/11: one assuming no clawback, and the other assuming a full clawback, based on an assumed 6% shortfall. The Committee asked whether each faculty had its own budget, to which the Vice Principal (Finance & Corporate Services) replied that it did: some had been harder hit than others by the funding changes, for example in ESOL. The Vice Principal (Curriculum & Quality) added that the faculties had also been impacted by funding changes at different times of year, for example when qualifications were removed from the Qualifications Credit Framework (QCF): the Quality & Curriculum Committee would be considering the impact of such changes on the College's curriculum.

The Committee noted that creditors were below £400K, and the College had no long-term liabilities: the cash position was strong. In considering the KPI's the Committee noted that pay expenditure for the year to date was 68% of income: this would rise to more than 70% following clawback. The Vice Principal (Finance & Corporate Services) said that there was

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a certain irreducible minimum required for the College to carry the infrastructure required to comply with FE sector regulations.

The Vice Principal (Finance & Corporate Services) reported that the out-turn showed a year end cash position of £4.1m: this would not be affected by any clawback, which would not take place until January 2012.

***The Committee noted the management accounts and cash flow management report.***

#### 6. **FINAL FUNDING ALLOCATION FOR 2011/12**

The Committee noted that the SFA's provision of transition support funding in 2011/12 (only) showed its recognition that the funding position was becoming increasingly challenging. The Principal reported that the College was one of 65 receiving offers of such support. The Vice Principal (Finance & Corporate Services) reported that the quoted sum of £228K represented 40% of the SFA's estimate of the impact of the fee remission changes on the College's funding for 2011/12: it took no account of other changes in the funding environment. The money would be paid only to counteract actual funding shortfalls incurred in 2011/12, and £228K represented the maximum payment. The Committee noted that the strategic funding issue for the College remained.

The Vice Principal (Finance & Corporate Services) advised the Committee that there were a number of significant changes to FE funding in 2011/12, including:

- a) 11% reduction in funding per learner,
- b) Fee remission only for learners on active benefits,
- c) DWP changes in its Work Programme, which meant that control of the funding would be in the hands of Reed International, which had been appointed lead agent for JobCentre+ in the College's area,
- d) Continuing development of the QCF, in terms of which qualifications would and would not be funded,
- e) The introduction of a minimum contract level (MCV) – initially at £500K, but expected to rise to £1m (resulting in a consolidation of smaller providers),
- f) There was also an expectation that, in order to reduce its own costs, the SFA would provide FE funding through an appointed lead agent – one College per local authority, and
- g) Looking further ahead, in 2014, provision would be on a fees only basis, with funding being replaced by student loans.

Several changes, including confirmation of 2011/12 clawback, the appointment of JC+ lead agents and the Financial Planning Guidance for 2011/12, had been made known to the College only within the last 2-3 weeks.

The Committee noted that the FE funding environment remained complex, and was fast-changing, even in-year. There were some positive signs: there was likely to be some relaxation of the strict "active benefits only" fee remission in some curriculum areas; some ESOL provision could be delivered under funded learning aims; and the QCF appeared to be stabilising (but the direction of change remained unfavourable to the College's current curriculum).

In view of all the above, the Vice Principal (Finance & Corporate Services) reported that the College felt it prudent to budget for 80% funding achievement in 2011/12: this still represented a stretch target, but was not impossible to achieve, based on current understanding. The Vice Principal (Curriculum & Quality) added that the College had this year, for the first time, been able to model the funding impact of its curriculum for next year, (since going over to the REMS software system) and expected to be able to plan more courses to start at different times during the year (for example, October starts), and was looking to develop targeted employer provision for local SME's. The Vice Principal (Finance & Corporate Services) agreed, saying that the College could now model the curriculum, but the fast-changing environment remained very difficult to predict.

The Committee asked whether it was possible to develop further franchise provision, to which the Principal replied that it was; the issue was one of quality: franchised learners remained the College's learners, and it was expected that the SFA would introduce a requirement for Colleges to expect (and pay for) their auditors to audit subcontracted provision. The College normally retained 15% of the funding generated by franchised provision, and was starting to interview possible additional partners for 2011/12 provision: they could help towards funding targets, but were unlikely to make a significant contribution to a surplus: the College would need to examine the risks and opportunities associated with each franchise contract.

***The Committee noted the College's funding allocation for 2011/12.***

7. **FINANCIAL REGULATIONS 2011/12**

The Vice Principal (Finance & Corporate Services) advised the Committee that the Bribery Act 2010 would come into effect from July 2011, and Colleges were covered by the Act if they engaged in commercial activities. The Committee noted the AoC recommendations to Colleges, which had been previously circulated to all Governors by the Clerk: the Audit Committee would be expected to make an initial assessment of the level, nature and extent of risks the College was exposed to. The Committee noted that, depending on the level of risk, the College may need to develop a separate policy on bribery, and roll this out through briefings and training as appropriate.

Clerk

***The Committee recommended the draft Financial Regulations 2011/12 for approval by the Governing Body.***

8. **BENCHMARKING**

The Vice Principal (Finance & Corporate Services) reported that each college was required to submit its financial statements each year to the SFA, who then collated all submissions as the basis for sector benchmarking. The SFA had recently issued its benchmark findings based on returns for the year 2009/10. The paper submitted to this meeting was based on a population of all London colleges, including GFE, Sixth Form, tertiary colleges and SDI's. The Committee noted that the benchmark statistics generally showed the College very favourably in comparison with the benchmark. However, the benchmark also highlighted the problem of high infrastructure costs in a small college.

***The Committee noted the benchmark report.***

9. **CAPITAL PROJECT**

The Committee asked what was the current position in relation to Clifden car park charging. The Vice Principal (Finance & Corporate Services) reported that she had recently, and at her insistence, secured a meeting with LBRuT to seek a full explanation of the continued delays. She had had a constructive meeting, but a number of new aspects had now emerged. LBRuT now said that it was for the College to put the parking agreement in place, based on a standard agreement to be provided by the borough legal department. This standard agreement had yet to be received. VAT remained an issue, and the collection of parking fines apparently required a Traffic Management Order (TMO) to be in place. The TMO required local consultation: this would run for 28 days from 24<sup>th</sup> June 2011. If there were no objections, then the TMO order could be in place by 31<sup>st</sup> August 2011. The Committee asked whether the College would receive the parking income in the meantime, to which the Vice Principal (Finance & Corporate Services) replied that it would. Current estimates of income were c. £1200 per week during term time, and very much less out of term time.

The Committee considered that the Programme Management Group (PMG) had completed its work successfully in accordance with its terms of reference, and there was no reason for it to continue.

***The Committee recommended to the Governing Body that the PMG be discontinued.***

10. **IT STRATEGY UPDATE**

The Vice Principal (Finance & Corporate Services) reported that the IT investment strategy was nearing its completion, and was well within budget: WiFi at Clifden was on hold, with a budget of £15K. The Committee asked whether the College had any plans to charge for WiFi, to which the Principal replied that the College was undertaking research into putting together an overall package for local enterprise, including WiFi use.

The Vice Principal (Finance & Corporate Services) reported that there were still some issues with the new infrastructure, for example the complexity of the LRC networks. ITS had been restructured to improve the support services, and the College was in the process of appointing a Head of ILT, which it recognised as a key strategic post in the context of exploiting the new infrastructure in support of the curriculum and the business.

The Committee asked whether there was scope to use the new infrastructure to help reduce administration costs. The Principal replied that the known problems with the learner management system had made this difficult. The College Secretary reported that the College had gone out to tender to change its learner management system, but that the tender responses had failed to demonstrate a compelling value proposition, especially in view of the switching risks, resource demands and costs. The incumbent supplier had improved its service management arrangements, and the system was more stable than previously.

The Vice Principal (Finance & Corporate Services) referred to a recent internal audit report on IT strategy and governance. The College management had suggested that progress on implementation and monitoring the objectives of the IT strategy should be reported to the Finance & Resources Committee. The Committee noted that it would be helpful if this responsibility were made clear in the Committee's terms of reference, in order to support a focus on the strategic approach and its cost/benefit over time.

Clerk

***The Committee noted the report on the IT strategy.***

11. **RISK MANAGEMENT**

The Committee noted that Financial Success remained the risk with the highest exposure, and that this was unlikely to reduce significantly in the current funding environment.

The College Secretary advised the Committee that, in response to a recent internal audit report, the College planned to review the structure of the risk register in 2011/12 in order to improve clarity of presentation. In addition, the performance indicators would be critically reviewed to ensure that they were measurable, and not too many in number: the action plan would be developed specifically in order to achieve improvement in the performance indicators, which would be reviewed every term by the SMT. Also, the termly review of the register would consider whether any new risks needed to be added.

PC

***The Committee noted the risk management report.***

12. **CATERING**

The Vice Principal (Finance & Corporate Services) reported that catering was costing the College money (c. £60K this year, with a similar amount budgeted for 2011/12): the College did not have enough footfall to cover the fixed costs of the catering operation, which was an important part of the College's customer service offering. The Committee noted that the College planned to discontinue the current interim solution at Parkshot, and revert to its main caterers, who would provide the service with a cap on the margin calculated as a percentage of cost of sales. The overall cost was split approximately 2:1 in terms of Parkshot (where there was plenty of local competition, and a 2-shift system was required) when compared with Clifden (where there was more of a regular customer base)

***The Committee noted the catering report.***

13. **ANY OTHER BUSINESS**

The College Secretary advised the Committee that the College had entered into a contract with eTraining Limited (its existing Employer Responsive training partner) for the delivery of Adult Learner Responsive provision in 2010/11 and 2011/12. The value of the contract was expected to be c. £400K, of which the College's share would be c. £60K.

This part of the meeting ended at 7:50 pm

Toyin Allen and Grozdenka Mateeva left the meeting.

**CHAIR**