

CORPORATION OF RICHMOND UPON THAMES COLLEGE

MINUTES OF THE

FINANCE AND RESOURCES COMMITTEE MEETING

HELD ON WEDNESDAY 24 JUNE 2015 AT 6.00 PM IN ROOM E20B

PRESENT:

Peter Llewellyn	Chair of the Committee, Independent member
Cathy Bird	Chair of the Corporation, Independent member
Robin Ghurbhurun	Principal and Chief Executive
Rebecca Veazey	Independent member
Giles Nestfield Roberts	Staff member
Nanda Ratnavel	Deputy Principal
Debbie Parkes	Clerk to the Corporation

1.0 Apologies for absence

Apologies for absence were received from Gergana Duff and Alison de Lord.

2.0 Introductions

The Chair asked whether members wished to raise any questions about the papers sent out for Part Two of the meeting. Items 12.0 Mid-Year Staff Survey Results, 13.0 Update on Health and Safety and 16.0 Contract Approvals were unstarred for discussion.

3.0 Declarations of Interest

There were no declarations of interest in the business to be discussed.

4.1 Minutes of the Finance and General Purposes Committee meeting held on 18 March 2015

The Committee received the previously circulated minutes of the Finance and Resources meeting held on 18 March 2015. The minutes were approved as an accurate record.

APPROVED

4.2 Matters arising from the Minutes of the Finance and General Purposes Committee meeting held on 18 March 2015

The Committee noted the report on the actions from the minutes.

5.0 Finance Report to 31 May 2015

The Committee received the previously circulated report 'Finance Report for the period to 31 May 2015'. The Deputy Principal commenced the briefing by explaining the structure of the financial summary in the written section and described the reasons for reporting Earnings Before Interest, Tax Depreciation, Amortisation (EBITDA). The report showed income and expenditure

and the balance sheet for the ten months to 31 May 2015 and the forecast for the year. The Deputy Principal drew members' attention to the key points in the Finance Report.

The Committee noted that the College was reporting a £952k surplus but forecasting a deficit before exceptional items of £198k. The forecast was an improvement on the position reported at April due to a higher income forecast but nevertheless was felt by the College to be a prudent position.

The Committee noted that at the end of May, total income reported was a £291k favourable variance. Members were advised that though Adult Skills funding was £233k favourable, there was a possibility that the classroom activity necessary to meet the full allocation of £1,538k would not be achieved and a prudent forecast of £1,400k was reported. It was possible that £138k may be repayable to the SFA in year.

The Committee noted that Expenditure was £263k favourable caused by teaching replacement staff being recruited on lower pay scales and reductions from the original curriculum plan. The savings on teaching salaries would, however, be offset by an adverse variance on support salaries, in particular due to changes to the support staff contract and payments instead of 'time off in lieu'. Overall, the forecast was that expenditure would be £297k adverse.

The Deputy Principal advised that the College had received a £2,000k advance from LBRuT for land sales. In response to the Committee's questions, the Principalship advised that:

- a) the College had followed the correct procedure by capitalising the professional fees incurred on redevelopment.
- b) 7% consultancy fees represented very good value for money
- c) all of the costs of the project would be covered by land sales and grants.

The Deputy Principal advised that the current cash position, excluding the advance, was £537k and was forecast to be £169k at year end. A second £2000k advance, which would be triggered by the exchange of contracts for land sales was expected in July or August which was expected to leave a total cash balance of £1,941k at that date

The Committee was advised that the College would seek to ensure that it adheres to its policy of paying its creditors within thirty days and not compromise this when paying bills for the redevelopment project, however, there may be times when this proves challenging.

A discussion took place about teaching and support staffing costs as a percentage of income, noting that the Key Performance Indicator year end forecast was stated as 66% though the basis of calculation was not clear and it was important that the same basis be used to calculate this ratio as shown elsewhere and as used by the SFA. It was likely that this number would need to be changed. The Staff member hoped that efforts to reduce this ratio would not preclude future pay rises. The Deputy Principal drew members' attention to the pay rises built into the financial plan.

6.0 Key Performance Indicators

The Committee received for information the previously circulated report 'Key Performance Indicators'. Members' attention was drawn to the significant increase in the cash days in hand as a result of the £2,000k advance for land sales received from LBRuT.

The Chair noted the importance of receiving the most up to date indicators for student performance, quality improvement/performance management and allocations and finance at each committee meeting. Specifically, he asked for information about apprentice numbers. The Principal advised that the College was forecasting 90 fundable 16-18 year old and 50 fundable 19+ apprenticeships this year. The Clerk advised that the fully updated KPI document would go to the Board on 1 July.

ACTION: PRINCIPALSHIP and CLERK

7.1 RuTC Revenue Budget 2015/2016

The Committee received the previously circulated report 'Revenue Budget 2015/2016'. The Deputy Principal advised that the starting position was adverse given cuts in funding and increased staffing on costs and drew members' attention to the changes that had been made for 2015/2016 in terms of a reduction in pay costs and depreciation. A deficit budget of £750k was proposed.

The Committee noted that the main part of the College's income was dependant on funding from the Education and Skills Funding Agencies (89% in 2014/2015). Members noted that, although adult skills funding was less than the grant in 2014/2015, the reduction was significantly less than the cut that had been expected. Funding for apprenticeship was growing in 2015/2016, consistent with the strategy to increase this provision. The College expected a reduction in income from the Local Authority and schools, however this was offset by the increase in HNS funding by the EFA.

Turning to Expenditure, the Committee noted that, at £12,529k, the pay budget had been reduced after absorbing increases in national insurance and pension contributions. In terms of Depreciation, the Principal advised that, on demolition the future value of all depreciation due on a building would be charged to income and expenditure and that this cost was still to be calculated; although it could be substantial this cost would be treated as exceptional in nature.

The Deputy Principal did not anticipate that the College would need to enter into an overdraft arrangement in the year because the College would be able to utilise its capital project funds to sustain any periods of difficulty which would, in any event, be relatively brief.

In response to a question from the Chair, the Deputy Principal advised that the Revenue Budget had been based on EFA funding for 2,604 learners.

The Corporation Chair asked for reassurance that the College has a robust plan in place in order to return the College to a surplus position. The Committee's attention was drawn to the Two Year Financial Forecast including Objectives document, presented at item 8.0 on the agenda, which included the College's five year plan to return the College to a surplus position.

Taking account of the longer term financial plan, the Finance and Resources Committee was content to recommend the Revenue Budget 2015/2016 to the Corporation for approval.

AGREED

ACTION: CHAIR/FINANCE AND RESOURCES COMMITTEE

7.2 Capital Budget 2015/2016

The Committee received the previously circulated report 'Capital Budget 2015/2016'.

The Chair noted that no bid had been received for IT rolling replacement and the Deputy Principal advised that the college was appointing a new Director of IT who would take this forward and that in the absence of an incumbent, an allocation of £200k had been requested. In clarification, it was explained that the College routinely spent circa £500k annually on routine rolling IT replacement and that it was necessary to maintain adequate investment going forward to be fit for purpose.

The Staff member asked whether it would be possible to introduce a tracking system through student ID cards so that students on campus but not attending lessons can be identified. The Principal noted the prohibitive expense attached to this hardware and software, however he said that he would undertake some research on the areas affected.

ACTION: PRINCIPALSHIP

The Finance and Resources Committee agreed to recommend the Capital Budget 2015/2016 to the Corporation for approval.

AGREED

ACTION: CHAIR/FINANCE AND RESOURCES COMMITTEE

8.0 Two Year Financial Forecast including objectives

The Committee received the previously circulated report 'Two Year Financial Forecast including Objectives'. The income and expenditure plan for 2015/2016 was a £750k deficit (agenda item 7.1). The income and expenditure plan for 2016/2017 incorporated modest income growth and some further cost reductions. Members noted that after allowing for a pay award and contingency for restructuring, a deficit of £357k resulted.

The Deputy Principal advised that he had built into the financial forecast an increase in apprenticeship provision over five years, with a consequent increase in income. Other student numbers remained essentially the same as for 2015/16 and were not overly ambitious with modest growth in 16 – 18 numbers annually. The Principal advised that the apprenticeship goals were realistic, the market was out there and the College now had the systems in place to manage the provision.

The Deputy Principal advised that a drop in Adult funding had been predicted, together with a modest increase in Higher Education income.

It was noted that the projected student numbers did not take account of any impact that the new college buildings might have (although this would need to be balanced against the risk of the college becoming an unattractive building site for a period of time) or of a possible increase in numbers as a result of local demography.

In response to members' questions, the Committee was advised that there is a robust plan to underpin the figures presented in the Financial Plan, albeit the Committee noted that there would always be certain factors, for example government policy, that were outside of the College's control.

The Chair asked for information about the impact that under recruitment would have on the deficit budget. The Committee's attention was drawn to the Realignment Costs and to a re-

thinking about the ways in which teaching takes place, presently under discussion with the Unions. It was also explained that the financial plan assumed marginal increases in staff costs proportionate to income increases and that if the latter were not realised, the costs would also be reduced.

The Chair noted that the Committee was asked to recommend the Revenue Budget and the Two Year Financial Plan to the Corporation in the absence of a strategy document, however the Committee agreed that it had sufficient strategic information to allow it to make these recommendations as requested.

The Deputy Principal advised that a further report 'Two Year Financial Plan to be sent to the SFA' would be presented to the Corporation Board at its meeting on 1st July as this was good practice prior to the Principal signing the document for dispatch..

The Finance and Resources Committee agreed to recommend the Two Year Financial Plan 2015/2016 and 2016/2017 to the Corporation for approval. **AGREED**

ACTION: CHAIR/FINANCE AND RESOURCES COMMITTEE

9.0 Fees and Charge 2015/2016

The Committee received the previously circulated report 'Fees and Charges 2015/2016'.

The Committee agreed to recommend the Fees and Charges and Fee Policy for 2015/2016 to the Corporation Board as proposed in the report. **AGREED**

ACTION: CHAIR/FINANCE AND RESOURCES COMMITTEE

The Committee gave delegated authority to the Deputy Principal, Finance and Resources to agree any further changes, in line with the principles outlined in the report. **AGREED**

10.0 Review of Financial Regulations

The Committee received the previously circulated report 'Review of Financial Regulations'. Members noted that title changes only were proposed to the Financial Regulations for 2015/2016.

Members noted that the Financial Regulations had been reviewed by the Audit Committee and that Audit Committee members had made no recommendations.

The Committee agreed to recommend the Financial Regulations to the Corporation Board for approval. **AGREED**

ACTION: CHAIR/FINANCE AND RESOURCES COMMITTEE

11.0 Management of Staff Sickness Absence Policy and Procedures

The Committee received for information the previously circulated report 'Management of Staff Sickness Absence policy and Procedures'.

12.0 Mid-Year Staff Survey 2015 Results

The Committee received for information the previously circulated report 'Mid-Year Staff Survey 2015 Results'.

The Committee commended the Principal on the outcomes of the survey.

13.0 Update on Health and Safety Matters

The Corporation Chair requested that student health and safety issues arising from the development of the new college buildings are reflected in the Health and Safety report to governors.

ACTION: PRINCIPAL

14.0 Write-Off of Bad Debts

The Committee received for information the previously circulated report 'Write-Off of Bad Debts'.

15.0 Student Union Accounts

The Committee received for information the previously circulated report 'Student Union Accounts'.

16.0 Contract Approvals

The Committee received for information the previously circulated report 'Contract Approvals'. The Chair noted that the contract for the provision of an IT/MIS Review and IT systems Audit and for cover for the Head of IT post had been awarded to the same provider. He asked for reassurance that the correct tendering procedures had been followed.

The Deputy Principal advised that the correct procurement processes had been adhered to for both contracts and that though the same provider had been employed, the College was making efficiencies as a result of the efficient procurement instigated by the provider on behalf of the College for IT supplies and services.

17.0 Any other Business

There was no other business.

18.0 Date of Next Meeting

Finance and Resources Committee: Wednesday 21 October 2015 at 6pm

Joint Audit and Finance and Resources Committee: Wednesday 25 November 2015 at 6pm

Followed by Finance and Resources Committee meeting if needed at 7pm