

**FINANCE AND RESOURCES COMMITTEE  
5 NOVEMBER 2014**

**MINUTES**

<b>PRESENT:</b>	Piers White (Committee Chair) Trevor Morgan Frances Wadsworth (Principal) Kate Ward Jackie Wilding Gordon Smith (Chair of Governors)
<b>CLERK:</b>	Melissa Drayson
<b>IN ATTENDANCE</b>	Jo Bland - Director of Human Resources Keith Oxspring - Chief Operating Officer Andy Smith - Deputy CEO
<b>BY INVITATION</b>	Neil Reed - MCA Coopers. Item 14.5 only
<b>APOLOGIES</b>	None received
<b>QUORUM</b>	The meeting was quorate throughout
<b>TIMING</b>	6.00 – 8.30pm

<b>Item no.</b>		<b>Action Lead</b>
	It was agreed that Item 14.5 should be taken before the main business of the meeting, and that a separate confidential minute should be taken of this item	
<b>14.1</b>	<b>Apologies for absence</b>	
	No apologies were received	
<b>14.2</b>	<b>Declaration of interests</b>	
	No declarations were made in relation to any item on the agenda.	
<b>14.3</b>	<b>Minutes of the meeting on 19 June and 25 July 2014</b>	
	The minutes of 19 June and 25 July 2014 were both <b>approved</b> as an accurate and fair record and were signed by the Chair	
<b>14.4</b>	<b>Matters Arising not covered elsewhere on the agenda</b>	

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**FINANCIAL**

*Confidential supporting paper by Neil Reed, MCA Coopers*

The Principal outlined that a review by MCA had been commissioned to provide a high level of assurance about financial management in the context of the proposals for large scale projects which were currently in the pipeline.

As part of this process an informal meeting had been held the previous week to which the Chair of the Corporation the Chair of Finance and Resources, the Chair of Audit and Jackie Wilding, were invited to receive interim findings and offer an opportunity for further discussion.

A summary of key points from the report was provided orally by Mr Reed's in support of his written confidential report. Having had the opportunity to ask questions of Mr Reed, the Committee noted the contents of the report, the overall conclusions as set out in the Executive Summary at page 9 and his list of recommendations at pages 24-26. The COO outlined that many of these were already in progress or completed. The Principal undertook to update the progress with actions to address issues at the next F and R Committee.

It was noted that the report be treated as confidential.

**AGREED: The Principal to update on progress to address issues at the next F and R Committee.**

**14.6 FINANCIAL MONITORING**

*Management Accounts by the COO*

The management accounts for the period to the end of September 2014 were showing an historical cost surplus of £109k against the budget of £49k. This was not, however, an indication that the year-end position would be better than budget.

An update was given by the Deputy CEO on the student recruitment position providing supporting data to that included within the management accounts report:

A full year forecast was not included in the report as the Adult Learner Responsive numbers had yet to be confirmed and these might have a significant impact on the likely year end position  
The ILR was due to be run imminently which would provide clarity in this area and enable the likely partnership projections to be taken into consideration. The Committee supported this approach.

The first quarter return on employer responsive provision was also due that week. Any significant underperformance on 16-18 Apprenticeship numbers could trigger a re-profiling of the contract value.

Other headlines from the report were:

- Pay costs were below budget overall, with support staff costs slightly higher and teaching staff costs slightly lower than budget. This was as expected for the time of year as there had been no sessional staff expenditure. Pay expenditure continued to be closely monitored by the Executive.
- Reorganisation costs were likely to be above budget. This overspend would be factored into the year-end forecast in due course.
- The true cost of pay as a percentage of income was calculated to be 66.3% against a budget figure of 68.1%. This was still higher than the sector norm.
- There were presently no concerns over cashflow. £2.2m of funds had been invested in a short-term 6 month bond with Nationwide which would yield a better rate of return than the deposit account with Barclays Bank. This would provide the flexibility to review the investment strategy once a decision on the potential LEP funding was known.
- The Student Union accounts were on budget

The Committee discussed the following

- With regard to non-pay costs, the committee confirmed the approach taken within the management accounts to treat student default debt as bad debt rather than unclaimed fee income.
- A question was raised regarding the inclusion of £114k of actual partnership provision within the Learner Responsive Income – SFA (incl' WPL) income stream. It was explained that since the actual income figures from this funding stream is currently unknown, it has been assumed that the actual figure will be in line with the budget. The budget for the 2 months to September 2014 included £114k of partnership income. The COO explained that a debtor analysis was now included within the management accounts although some further refinement was still needed in terms of categories.

#### **14.7 ENROLMENTS UPDATE**

*Oral report by the Deputy CEO*

Current estimates of HE student recruitment were 230 against a target of 243. The College had the highest HE student number control in London.

16-18 Learner Responsive numbers were 260 below target with considerable withdrawals taking place during the first 6 weeks of the term.. It was estimated that 150 learners would be picked up in-year either directly or via partnerships. The key return would be the R06 period, to be submitted on 1 February, as this would influence the 2015/16 funding allocation and uplift. (please can you check this is the correct interpretation)AS

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	<p>The College was likely to be within the £5k tolerance for 16-18 Apprenticeships. Recruitment had been difficult and 6 November was the last recruitment date to be included within the first return. The bulk of the apprenticeships recruitment was for 24+. This produced a lower margin than 16-18 so care would be needed to manage the balance.</p> <p>Estimates for Adult Single Budget provision value against contract were yet to be fully developed, but it was planned that any shortfall would be made up by partnership activity</p> <p><b>AGREED: That the Learning and Quality Committee should be asked to review the position with regard to apprenticeship recruitment, and what were the obstacles and difficulties in terms of reaching target</b></p>	DCEO
14.8	<p><b>RECOMMENDATION OF FINANCIAL STATEMENTS 2013-14</b> <i>Supporting paper for consideration and approval to the Board</i></p> <p>The Committee examined any variances between the draft statutory accounts and the end of year position presented in the July 14 management accounts.</p> <p>A key variance was the adjustment to a historical revaluation reserve of more than £6m, which was explained in note 30, Although the material impact of this was negligible, it may have indicated deficiencies in accounting in the past. The Committee gained confirmation that the previous year's accounts would have to be restated in the light of this adjustment, but that this would not cause any problem with either the bank or the Skills Funding Agency.</p> <p>The Chair stated the need to ensure that all Board members were clear that the reason that operating deficit in the Income Statement was now shown as (643) as opposed to (150) in the July accounts, was due to the impact of FRS17 pensions costs.</p> <p>The write off of £58k of value of portakabins was noted.</p> <p>The accounts were still in the process of being reviewed for typos and other minor errors and Members were asked to email the COO with any minor amendments.</p> <p><b>RESOLVED: that it should be reported the Board that the Committee considered the draft statutory accounts to be a reasonable reflection of the financial position of Croydon at the year end 2013-14, and that these should be recommended to the Board for approval through a joint resolution with the Audit Committee.</b></p>	
14.9	<p><b>PAY AWARD UPDATE</b> <i>Supporting paper presented by the DoHR</i></p> <p>The proposal put forward would address the pay of lower paid staff, and ensure that all employee pay was kept in line with the London</p>	

Living Wage, which has just been raised.

In response to questions from Governors, it was stated that the picture across the FE Sector was extremely variable in terms of implementing the AOC's recommendation. It was also noted that some other parts of the public sector had reviewed their pay freezes and made modest pay awards this year. Within FE, however, there remained a major issue of affordability, especially with increases in pension and other employer costs. The priority for the College was to protect jobs as far as possible.

The situation would be kept under review with the preferred option being to effect a pay award or another appropriate reward mechanism of some form should funds become available. This would be in addition to that effected to bring lowest paid staff in line at least with the London Living Wage..

**RESOLVED: that it be recommended to the Board of Governors that the pay of lower paid staff be addressed to bring it into line with the living wage, but that any further staff pay award or another appropriate reward mechanism be deferred at this juncture, with further reflection should funds become available.**

#### 14.10 PARTNERSHIPS

*Supporting paper presented by the Deputy CEO*

All Governors had scrutinised the proposal as part of the process of seeking approval of the Board by written resolution, to enter into a 2 year contract with Just IT. The Clerk reported that a majority of Governors had expressed their support for the resolution, subject to ratification by the F&R Committee at this meeting.

The view was expressed that the risks of proceeding into the partnerships arrangement were low, and were far outweighed by the risk of potential loss of funding allocation monies.

**RESOLVED: that Croydon College should enter into a 2 year partnership agreement with Just IT for the delivery of apprenticeship and learner responsive provision, to the value of in the region of £2m.**

#### 14.11 HIGHER EDUCATION FEES

*Supporting paper presented by the Deputy CEO*

The Committee thanked the authors for a clear set of recommendations. For future reports the Governors asked for some more information to be provided on our market position, market opportunities and what was being done to grow our offering/numbers.

**RESOLVED: that it be recommended to the Board that the following proposals should be APPROVED:**

- a. To continue with the ABB Bursary for 2015-16

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- b. To discontinue the iPad bursary
- c. To retain the current HE fees of £6,000 per annum
- d. To retain the current fee levels for part time HE courses

#### 14.12 FINANCIAL REGULATIONS

*Supporting paper presented by the COO*

It was noted that proposed changes were very minor and it was therefore:

**RESOLVED: that it be recommended to the Board that the Financial Regulations 2014-15 should be APPROVED.**

#### 14.13 HEALTH AND SAFETY ANNUAL REPORT

*Supporting paper presented by the Deputy CEO*

The Committee commended management for an excellent report which contained the right balance of detail and scope. It was noted that a Health and Safety internal audit was currently taking place, which would be reported to the Audit Committee in March.

**AGREED: that Health and Safety should be added to the Governor Training Plan to ensure that all governors were aware of their legal responsibilities**

#### 14.14 POLICIES REVIEW - Supply Chain Charges and Fees Policy

Minor changes were noted.

**RESOLVED: that it be recommended to the Board of Governors that the revisions to the Supply Chain Charges and Fees Policy be adopted.**

#### 14.15 RISK MANAGEMENT

*An updated version of the supporting paper was tabled.*

An overview of the new Risk Register produced by the Executive had been provided by the internal auditors, BDO. A new, more streamlined and focussed format had been introduced. The Committee was keen to ensure that the source and type of assurance for each risk should be evaluated thoroughly and included in the final document, especially where not covered by Internal Audit.

The full draft would now be brought to the Audit Committee for discussion prior to final approval by the Board in December.

Recognising that the F&R committee carried lead responsibility for reviewing a number of the significant risks identified, there followed a discussion of how we could provide ourselves and fellow Governors with assurance that the risk mitigations were effective. It was agreed to take one or two risks at each future F&R Committee and review these in detail.

**Principal**

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**14.16 CAPITAL AND ESTATES**

*Tabled paper presented by the Principal*

It was reported that the College was through to the next stage of the London Local Enterprise Partnership (LEP) bidding process. The detailed bid would now be developed fully and would need to be brought to a Special Board of Governors meeting to be approved in advance of the 31 January 2015 deadline

The Committee supported progressing to the next stage of bid development, noting that this would incur expenditure of £30,000 for architectural, building services and consultancy advice.

In response to questions, it was confirmed that withdrawing at this stage could result in reputational risk and would be likely to prejudice the College's chances of bidding successfully in future rounds.

The timescale in terms of planning permission and contracting was extremely tight. Jill Small, our property consultant, wrote the original bid and had been engaged to project manage the next stage.

Only minor changes were proposed to the Estates Strategy to reflect the current staff structure. Any feedback on typographical or grammatical issue should be fed back to the Deputy CEO by email

**AGREED: that any further update on the LEP Bid should be brought to the Board of Governors on 3 December 2014, with a proposal that a Special Board meeting be held in late January 2015 to sign off the bid.**

**14.17 ANNUAL REVIEW OF TREASURY AND BANKING ARRANGEMENTS**

*Supporting paper by the COO*

It was noted that Barclays Bank had approached the College with proposed amended covenants following the changes in pension accounting which had impacted on the usefulness of the existing covenants. Management will continue to liaise with Barclays Bank on this issue and report back to the committee with any proposed changes.

The COO confirmed, in response to the suggestion, that an interest set-off arrangement had been discussed with Barclays

**AGREED:**

- (i) that details of the existing covenants would be emailed to any governor who wanted to see them on request; COO**
- (ii) That the credit rating of banks with whom the College places deposits should be reviewed at a future meeting. COO**

The COO was asked to consider requesting an interest set-off arrangement with Barclays.

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**14.18** The date of the next scheduled meeting was confirmed as 11 March 2015.

It was discussed whether, in the light of the Financial Review recommendations and the volume of business at each meeting, additional F&R meetings might be scheduled in advance. The Clerk reported that, in her experience, it was common for colleges to hold five meetings a year for consolidated committees where all resources issues were covered.

**AGREED: to schedule additional F&R meetings for this Clerk academic year.**

**14.19 Other business**

It was noted that, as reported in the press, there has been a judgement regarding holiday pay and overtime, which would have significant implications for all employers. The College would review the potential impact of the judgement on it and await any appeal or further government reflection. .

Signed \_\_\_\_\_ (Chair)

Date: \_\_\_\_\_