

## MORLEY COLLEGE LIMITED FINANCE & RESOURCES COMMITTEE

### MINUTES OF MEETING HELD ON 22 NOVEMBER 2010

#### Present:

Paul Mason	(Chairman)
Karen Di Lorenzo	(Governor)
Laurence Elliott	(Staff Governor)
Mary Hawkey	(Student Governor)
Gareth Julian	(Governor)
Ela Piotrowska	(Principal)
Jenny Scribbins	(Chair of Governors)

#### In attendance:

Nick Rampley	(Vice Principal)
Michelle Punt	(Head of Human Resources) [Items 1 to 8]
Sanjay Parekh	(College Accountant)

#### Clerk:

Graham Cooper	(Clerk to the Governing Body)
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#### 1. Apologies for absence

There were no apologies.

#### 2. Minutes of the meetings held on 22 June 2010.

The minutes were agreed as a correct record and would be signed by the Chairman.

#### 3. Matters arising from the minutes other than on the agenda

- a) **Contract Income:** The Vice Principal advised that the College had been successful in its bid for additional work for Lambeth Borough Council, increasing the value of this contract to over £200k.
- b) **BEC acquisition:** The Vice Principal confirmed that the acquisition of BEC had been completed, albeit that the time period required for the SFA to amend its systems meant that BECs funding was still being paid into BEC's bank account and would need to be paid over to the College.
- c) **Review of Pension Provision:** The Vice Principal noted that there was an awareness that the LGPS had been considering various approaches to pension reform. Regarding the need for the College's pension provision to be reviewed by the Committee, he expected to provide a report to next term's meeting.

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- d) **Budget amendments:** The Vice Principal confirmed that the amendments to the 2010/11 budget agreed at the previous meeting had been made prior to submission to the Governing Body for approval.
- e) **Pay Award:** The Principal advised that the actual pay award made to staff had been 0.2%, in line with the AoC recommendation. The Committee queried whether the change in NI bands effective from April 2011 would affect the College and the Vice Principal advised that the impact had yet to be assessed.
- f) **Alterations to Curriculum:** The Chair of Governors reminded the Committee of the issue raised at the previous meeting regarding the extent to which the College's ability to make alterations to the curriculum might be hindered by HR procedures. Whilst the Head of HR assured that this was not the case, The Chair of Governors believed that it was evident from recent Curriculum Review and Development meetings that not all members of management were clear regarding the degree of flexibility available and the procedures for implementing changes that affected tutors' hours. The Committee stressed the need for clarity to be provided to CAMs.

**Actions:-**

- i) **Paper on review of pension provision to be submitted to next term's meeting of the Committee.**
- ii) **Clarity to be provided to CAMs regarding the flexibility available and procedures in relation to changes to tutor's teaching hours.**

#### **4. HR Report (MP)**

The Head of Human Resources presented her annual report on Human Resources activities, employment trends and statutory diversity monitoring data. The Committee reviewed the detail of the report and raised, in particular, the following points:-

**Dismissals** - Whilst the number of 'dismissals' appeared to be high, the Head of HR highlighted that the majority of these had been redundancies arising from restructurings, rather than dismissals arising from disciplinary issues.

**Absence.** The Committee noted that the average working days lost per employee was considerably higher than they would expect to have seen in some areas of the College. Whilst the Head of HR advised that the figures included long term absence, the Committee remained concerned and asked that this should be an area of focus from management. Noting that the budget for temporary teaching cover was held centrally, the Chair of Governors suggested that the management of short term absence might be more effectively managed by departments if the cost of providing cover came from departmental budgets.

The Chairman thanked the Head of Human Resources for the report, noting the considerable amount of work that had been involved in pulling this together, and also its value for use by the College management. He requested that the HR report to the next meeting of the committee should provide a summary of actions to be taken as a result of the analysis, in the form of actions and priorities for the HR Department and other staff on management of HR issues for the coming year.

**Action:- HR report to the next meeting of the Committee to include a summary of actions and priorities for the coming year.**

#### **8. HR Policies for approval (MP)**

The Head of Human Resources presented drafts of revised disciplinary and grievance procedures for consideration by the Committee to recommend for Governing Body approval. She explained that the drafts were based largely on recently revised AoC model policies, adapted with the assistance of the College's employment advisors to meet the requirements of the College. The College's existing policies had been written prior to the repeal of statutory procedures for dismissal and disputes resolution, and

prior to the introduction of the ACAS codes of Practice on Disciplinary and Grievance dated April 2009. The main change to the Grievance policy was the removal of a second right of appeal, which it was considered had previously led to a time-consuming drawn out process. A key change to the Disciplinary procedure was that the revised policy provided scope, subject to amendment to the College's Memorandum & Articles of Association, for someone other than the Principal to dismiss.

The Committee agreed that amendment of the College's M&As should be taken forward to provide the Principal with the power to delegate the right to dismiss. The Chair of Governors noted however that this would take time to achieve, any amendment to the M&As requiring both Charities Commission and Secretary of State approval. It was important to ensure that any dismissal proceedings in the meantime continued to comply with current M&As. The Committee noted, however, that a substantial number of the dismissals, as summarised in the HR Report reviewed earlier, arose as a consequence of redundancy, and that reasons other than disciplinary accounted for only a small number of cases. The Committee considered that it was not unreasonable to expect dismissal arising from disciplinary procedures to remain the responsibility of the Principal, and in view of the small number did not consider that too onerous. For dismissal for other reasons, it would be necessary until such time as the M&As have been amended, to ensure that the Principal is involved in the final stage of the process, but that should not prevent much of the work and process leading up to that point being undertaken by other members of the management team.

The Chair of Governors noted that it was the College's usual practice to ensure a period of consultation on changes to policies of this nature. The Head of HR explained that this had yet to take place, but that she had been keen to ensure that this meeting of the Committee had the opportunity to discuss the proposed revisions in order that the new policies could be introduced in a timely manner. It was agreed that a period of consultation would be implemented immediately, allowing time for feedback to be obtained and for the Head of Human Resources to circulate feedback and comments to members of the Committee, to enable them to consider these and hopefully to confirm the Committee's recommendation of the new policies to go forward to the forthcoming meeting of the Governing Body.

**Action: Head of HR to undertake a period of consultation and then circulate feedback and comments, with revised draft policies, for consideration for recommendation to the Governing Body for approval.**

*[The Head of Human Resources left the meeting]*

## **5. Fundraising Strategy Update (EP)**

This Principal reported on progress, advising that the College had established a Fundraising Steering Group, which had held its first meeting. Initial steps were being taken to develop the College's fundraising capability, including the purchase of 'Grantfinder', a grants and policy database which provided details of funding opportunities. Additionally, donation boxes were to be purchased for use around specific events and projects. The Principal hoped to bring the new strategy to the next term's meeting of the Committee. In the meantime, it was hoped that a representative from the Governing Body would join the steering group in order to give the benefit of their experience, and it was the Principal's intention to make that invitation at Governing Body's December meeting.

**Action:- Principal to seek a volunteer from the Governing Body, at its December meeting, to join the Fundraising Steering Group.**

## **6. Draft Report & Accounts to 31 July 2010 (NR)**

The Vice Principal presented the draft statutory financial statements for the year ended 31 July 2010, and the post-audit management letter for consideration by the Committee, noting that these would also be reviewed by the Audit Committee. He reminded the Committee that the preliminary results presented to the October meeting of the Governing Body had anticipated a small surplus for the year of £74k, and appended the FMR which had gone forward to that meeting for further review. Noting that the draft financial accounts submitted showed a surplus of £22k, he provided a reconciliation between that figure and the underlying £74k as shown in the management accounts. The largest adjustment

related to pension liabilities (FRS17) and changes introduced whereby liabilities were now calculated using the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). The Vice Principal explained that this issue had been the cause of much debate, in terms of how the adjustment should be reflected, with different colleges taking different approaches. The College had followed the advice of its own auditors.

The Vice Principal also talked the Committee through the various debtor and creditor items in the draft accounts, noting that there was nothing untoward to cause any material concerns. He advised that the College's auditors had not picked up any material issues during the course of their audit. The Committee noted the contents of the post-audit management letter and the clean audit opinion provided. The Chairman congratulated the management team on the clean audit and noted also that the Committee should take reassurance from the fact that final accounts reconciled back to the management accounts with minimal adjustments, which could be clearly explained.

The Committee reviewed the detail of the draft report and accounts, noting that these followed the format set by the SFA. Having reviewed, and confirmed their satisfaction with the accuracy of the information and representations made in the Operating and Financial review and the Statement of Corporate Governance and Internal Control, members of the Committee turned their attention to the financial statements and notes to the accounts, drawing reassurance from the fact that these had already been reviewed by the auditors. The Committee recommended a number of minor amendments, being a couple of typographical errors, a minor change in presentation of note 16, and also, at the suggestion of the Principal, changes to the wording of the statement relating to Equality and Diversity matters. Subject to these amendments, the Committee agreed to recommend the Report & Accounts to the Governing Body for approval.

**Action:- Minor amendments to be made to the Report & Accounts, which are then to be submitted to the December meeting of the Governing Body for approval.**

## **7. Capital Development Plan Update (NR)**

### **a) Progress to date**

The Vice Principal provided the Committee with a progress update, and, in respect of completed works, a schedule of actual expenditure relative to initial and revised cost estimates. He also highlighted that, in addition to Capital Development Plan items, the schedule included more general refurbishment covered by the College's annual capital budget, in order that the Committee could clearly see total expenditure and how this was allocated. The Committee noted that the total expenditure to date, of £705k, exceeded the expenditure requirement of £675k to ensure that the Capital Grant funding recently awarded to the College was secure.

### **b) Next steps**

The Committee reviewed progress on the projects remaining outstanding from Phase 1, as follows:-

**Upgrading of the Telephone Network.** An exercise to determine the optimum configuration of the new system was to be undertaken during the current term, with a view to the upgrade being completed during the spring term. It was expected that the cost would be in line with the originally estimated c. £55k-60k.

**Refurbishment of the Holst Room.** A specification for the necessary works had already been drawn up, with estimated costs of c.£27k-30k. The work would need to be undertaken during next summer's recess as it was likely to take longer to complete than the time available at either Christmas or Easter.

**External Lighting and Signage.** It was expected that the College's branding review would inform the design of any signage. In the meantime, a lighting designer had been commissioned to provide a specification for lighting that would take into consideration issues that the local authority's planning department had indicated would need to be addressed. The original

estimate of c. £30k remained unchanged.

An update on the above projects would be provided to the next meeting of the Committee.

### **c) New Projects**

The Committee noted potential new projects, including the modernisation of the ceramics studio, driven partly by curriculum issues and partly by Health & Safety matters. Renewal of the College's network server equipment, now included as part of the Capital Development Plan, was likely to be a much more costly matter. A more detailed financial appraisal of both of these would be provided to the next meeting of the Committee.

The Committee requested that the next meeting be provided with information on the impact on student numbers of works completed during the summer period.

#### **Actions:**

- i) A further progress update to be provided to the next meeting of the Committee, including appropriate financial appraisals for projects to be progressed.**
- ii) The next meeting of the Committee to be provided with information on the impact on student numbers of works completed during the summer period.**

### **9. Treasury Management Report (NR)**

In accordance with the requirements of the College's Treasury Management Policy, and annual report on the implementation of that policy was provided. The Committee noted the recent downgrading of the NatWest credit rating to A+, the policy requiring that approved counterparties should carry a minimum rating of AA- or better. Additionally, the Chairman recommended that a watching eye should be kept on the rating for Santander, and it was highlighted that sovereign ratings in addition to those for individual counterparties should be taken into consideration when assessing risk exposure. Whilst no immediate changes were planned in respect of funds held with these two counterparties, the Vice Principal highlighted that in balancing the Policy's three concerns of security, liquidity and performance, security must be accorded greatest weight. He advised therefore that the strategy over the coming year would be to diversify the College's deposits in terms of the institutions with which they are held. To this end, two of the firms pre-selected by the Crescent Purchasing Consortium's Cash Management Framework had been approached for advice: CCLA, which provides a specialist deposit fund for charities, and Royal London Cash Management, which offers a cash management service to colleges. The results of those discussions would be presented to the next meeting of the Committee.

The Clerk advised that the College's mandates with three institutions (CCLA Investment Management, Invesco Management Ltd and M&G Investments) had become out of date. The Committee agreed to recommend to the next meeting of the Governing Body that it be resolved that new mandates are provided, with signatory requirements matching those of the mandate with Santander, i.e. two signatories from the Principal, Deputy Principal, Vice Principal and Clerk.

#### **Action:-**

- i) Results of discussions with CCLA and Royal London Cash Management to be reported to the next meeting of the Committee.**
- ii) Resolutions to provide new mandates to holders of the College's investments to be recommended to the next meeting of the Governing Body.**

### **10. Finance Monitoring Report (October) (NR)**

The Vice Principal submitted the Finance Monitoring Report for the three months to the end of October. This showed a surplus for the period of £886k, compared to that in the original budget to this point of £1,016k. He highlighted that, whilst tuition income had increased on prior year, this was due to an increase in fee rates, not a result of more enrolments, which were virtually the same. As a consequence of not achieving target enrolment levels, tuition fee income was £213k behind budget. A further issue of concern was that it had become evident that greater control was required over the non-

teaching hours worked by hourly paid tutors. For instance, the hours of Advice & Guidance provided at the start of the autumn term 2010 was significantly higher than in 2009. Other areas of activity which attracted no direct revenue included departmental meetings, moderation meetings, undertaking OTLs and departmental staff development. The Chairman noted that on previous occasions when tuition fee income had been behind budget, this had been largely offset by a decrease in staff costs; this was the first time he could recall when this had not been the case. He asked the Principal and Vice Principal to be in a position to provide a fuller analysis of this issue and the position on enrolments to the full Governing Body meeting. The Vice Principal stressed that one area of focus of the forthcoming Curriculum Review and Development would be reducing costs for the following year, and the Principal noted that costs of support areas would also be reviewed.

**Action:- Principal and Vice Principal to be in a position to provide a fuller analysis of enrolment levels, tuition fee income and staff costs to the forthcoming Governing Body meeting.**

## **11. Health & Safety Report (NR)**

The Committee received an update report on Health & Safety matters, the following issues being specifically highlighted:-

**Fire drills:** The Vice Principal advised that following each drill a report is submitted to the Health & Safety Committee. The main issue arising from these reports was the need for tutors to carry out effective register checks to ensure that all students are accounted for following evacuations of the building.

**Display screen equipment risk assessments:** A computer based-risk assessment programme had been identified, trialled, and was in the process of being procured. The system provides a tutorial to all display screen users and a template for undertaking a risk assessment of their workstations. It also provides reports to enable managers to ensure staff comply with the requirement to carry out the assessment.

**Staff training in the use of fire extinguishers:** This matter was still outstanding and in need of being addressed.

The Chair noted the significant steps taken and improvements achieved on Health & Safety matters.

## **12. Support Area Self-Assessment Reports (NR)**

The Committee reviewed the Self Assessment Reports for the College's support areas, these relating primarily to the operational areas of the College relevant to the areas of responsibility of the Committee. The Principal advised that the SAR process was primarily designed with curriculum areas in mind, but that it was considered to also have value for support areas, aimed at trying to get these areas to examine the way that their activities impact upon students.

Overall gradings varied across departments, the only area of relative disappointment, as highlighted by the Vice Principal, being IT and Technical Resources. He explained that, although the comparative grade suggested that the department's effectiveness had slipped in the year, it would be more accurate to say that the grade for 2009/10 had been over generous. Whilst there were many aspects of the department's work which were satisfactory, particularly in relation to the maintenance of a robust and secure central IT infrastructure, the inadequacy of the department's response to requests and the impact that these had on the learner experience had led to the overall grading of Inadequate, notwithstanding the mitigating factor of an unstable staffing structure through the year. The weaknesses identified were being addressed, involving a wholesale review of the department's remit and structure.

The Committee discussed the difficulties of daily reconciliation of takings arising from the acceptance of payments through various debit card and credit card systems that had different processing timescales. Discussions were ongoing with Capita, supplier of the College's systems, on this issue. The Committee

noted this as a systems issue rather than a reflection of the effectiveness of the Finance Department. The Chair of Governors highlighted that it was especially pleasing to see the good overall ratings for Finance and MIS, these being areas which had caused Governors serious concerns, say three year's ago, and the effectiveness of which had been transformed since that time.

**13. Any Other Business**

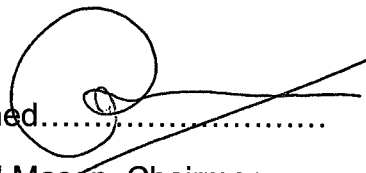
There was no other business.

**14. Date of next meeting**

The next meeting of the Committee is scheduled for Monday 14<sup>th</sup> March.

Graham Cooper

Clerk to the Governing Body

Signed.....  
  
Paul Mason, Chairman.