

MORLEY COLLEGE LIMITED FINANCE & RESOURCES COMMITTEE

MINUTES OF MEETING HELD ON 24 MAY 2011

Present:

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

In attendance:

Nick Rampley	(Vice Principal)
--------------	------------------

Clerk:

Graham Cooper	(Clerk to the Governing Body)
---------------	-------------------------------

1. Apologies for absence

Apologies had been received from Gareth Julian.

2. Minutes of the meetings held on 14 March 2011.

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) **National Insurance:** The Vice Principal advised that he did not believe that the recent rise in National Insurance Contribution rates would have a significant impact. The Chairman noted that the impact would now be factored into the budget planning for 2011/12, and the issue thereby dealt with.
- b) **Outcome of Industrial Tribunal:** The Vice Principal advised that following further discussion, the College's insurers had decided that the decision against the College should be appealed. However, at the Remedies Hearing relating to the judgment, the claimant had been awarded damages of £3,829. In view of the small amount involved, relative to the costs of pursuing an appeal, it was considered likely that the insurers would now decide not to do so. The insurers had advised that liability for the settlement of this amount rested with themselves.
- c) **Fundraising Strategy:** The Principal advised that the period for applications for the post of Fundraising Manager had just closed, a number of applications had been received and would now be reviewed.
- d) **Capital Development Plan:** The Vice Principal advised that, as discussed at the recent Property Strategy Committee, a standard template for capital project submissions was in course of development.
- e) **Improving the efficiency and effective use of resources – Review of College Support Services:** [Confidential minute]

4. Budgetary Planning for 2011/12 (NR)

The Vice Principal advised that a full budget proposal would be submitted to the next meeting of the Committee. He outlined the main assumptions upon which the proposals would be based, which the Committee reviewed. The following points were highlighted:-

Income

a) SFA/YPLA income

The College's grant allocation for 2011/12 had already been confirmed at £5,146k, including BEC, though there remained some ambiguity in relation to the terms of a few small items within this figure, as set out in the Vice Principal's report.

b) Fee income

The fee policy approved by Governors had set the challenge of increasing fee income by 24%, through differentiated fees as well as increased provision, over the out-turn for 2009/10. This would mean an expectation of fee income in the order of £2.37M, a 15% increase on the revised projection for 2010/11. The Vice Principal explained that fee income outlined in the 2011/12 course files exceeded this figure, but that the budget for the year would need to moderate this with assumptions regarding the number of courses to be cancelled and how close course enrolments would be to student number targets. He emphasised the need for departmental budgets to be challenging, and also the anticipated positive impact of aspects such as improved marketing, the new website with search engine optimisation, and enhanced facilities. The Committee endorsed the CLT's approach to look for ways to close any income gap arising, and also the systematic review being undertaken of all areas of the College. The Committee nevertheless expressed a degree of nervousness in budgeting for the implied overall increase in fee income, and suggested that the budget should include a specific contingency against this not being achieved.

c) Contract income

It was hoped that the level of income, significantly increased during 2010/11, would be maintained.

d) Other income

Income from other areas was considered likely to be at best static. Interest rates might improve slightly, though any increase in income would be offset by lower deposit levels following expenditure on capital projects during the summer. It would not be assumed that fundraising would have any significant impact, and the Committee noted that, in any event, income from fundraising ought to be used to fund projects outside the day to day budget.

Expenditure

a) Staff costs

Provision for a 1% increase in salary levels from October, together with a contingency for a degree of 'grade creep', was proposed. The Vice Principal advised that, whilst the union had submitted a claim for a 4% increase, this was considered highly unlikely to be accepted by the AoC. The Committee was keen to ensure that this item was not underbudgeted, and the Vice Principal advised that a more informed judgment might be possible by the time the budget was submitted for approval at the next meeting. Additionally, the Committee confirmed that some provision for redundancy costs arising from planned restructurings should be included.

b) Non-staff costs

The Committee endorsed the plans for costs savings to be achieved across all areas.

Actions: Draft budget to be submitted to the June meeting of the Committee.

5. Capital Development Plan Update (NR)

The Vice Principal provided a report on progress.

Phase 1

Phase 1 had been partially completed through a series of projects during summer 2010. At its previous meeting, the Committee had approved expenditure on a number of outstanding projects and had agreed to consider the remaining projects at this meeting. The Vice Principal provided details of individual projects, which the Committee reviewed, the following aspects being discussed:-

a) **Renewal of Network Server Hardware**

The Vice Principal advised that a capacity planning exercise had been commissioned and completed in order to ensure that the proposal and any successive proposals provided sufficient capacity for further growth but did not over-provide resulting in unnecessary expense. The results had confirmed the proposals to be reasonable.

b) **Modernisation of the Ceramics and Sculpture Studios**

Since the proposals were agreed in principle at the previous meeting of the Committee, the departments had been further consulted to ensure that the specification was as comprehensive as possible. The Vice Principal emphasised that this had not been treated as an opportunity for increasing the level of spend, but to ensure optimum use of the planned expenditure. It was a positive step for this work to be undertaken prior to tender. The Staff Governor suggested that lessons could be learned from issues arising from recent projects, specifically the new jewellery studio, with regard to the siting of whiteboards and computers.

c) **External Lighting and Signage**

The Principal advised that the installation of new external lighting to the front of the College had been partially completed over the Easter period. However, plans regarding illuminated signage to the entrance canopy and the western façade of the Library/Holst Room had been delayed as Lambeth Council had insisted on the College applying for 'advertising consent'. A second phase of the project was also planned, which envisaged using the College façade for projections to promote events and convey other information.

The Chair of Governors advised that there had been discussion at the recent Property Strategy Committee regarding the total cost of all Phase 1 projects, which had reached various stages of approval through the Committees. If all projects (including those for which further information was still required) were to go ahead, then the total amount charged to reserves for Phase 1 of the Capital Development Plan would now be £1.179M. Offsetting the additional unexpected SFA grant of £267k, this would result in net outgoings within the £1M that the Governing Body had previously approved as a reasonable level of expenditure. The Property Strategy Committee had noted, in particular, that by utilising the additional SFA grant monies towards meeting Phase 1 costs, there would be no funds available to initiate Phase 2, which would therefore be wholly dependent upon alternative funding.

Phase 2

The Vice Principal advised that the recent meeting of the Property Strategy Committee had considered the different design procurement options for Phase 2, and had approved a recommendation to commission Black Architects to take forward the planning to RIBA Stage A (as explained in the Vice Principal's paper). The Stage A report would be presented to the autumn term meeting of that committee. The Vice Principal advised that the cost of the Stage A work, being the total amount of the College's further commitment at this stage, was £5k. Using Black's fee proposal as a guide, the further costs, in addition to this £5k, to take the proposals to Stage D, would be c.£50k (plus VAT).

6. Treasury Management Update (NR)

The Vice Principal put forward a proposal for the College to enter into an investment management agreement with Royal London Cash Management ('RLCM'), under the terms of which RLCM would manage the College's deposits in line with the College's Treasury Management Policy. The Vice Principal set out in his report the background to the recommendation, and the key features of the proposed agreement. Issues highlighted and covered in discussion of the proposals by the Committee

were:-

- RLCM act for over 300 institutions, including c. 40% of UK universities. The College's funds would be only a very small proportion of their total funds managed.
- RLCM would manage the whole of the College's cash of c.£3M, less an amount necessary to fund working capital. All funds deposited would be 'on-demand'. In order to retain liquidity, investment vehicles used by RLCM would be Call Accounts and Certificates of Deposit, rather than Fixed Term Deposits.
- Investment would be restricted to Standard & Poor's Long Ratings of AA- and above only, and at any time would be split between 4 or 5 funds.
- RLCM's fees would be charged on a sliding scale, with a maximum rate of 12.5 basis points. It was hoped that by taking advantage of RLCM's expertise, the College would over time achieve a greater return on its liquid assets than would otherwise be the case.
- The College's funds, along with those of other institutions, would be protected by virtue of the fact that funds would be held by RLCM in clients' accounts.

Having reviewed the terms of the draft investment management agreement, the Committee gave its approval for the College to enter into the agreement.

7. Union Recognition (EP)

The Principal provided the Committee with an update on proposals for the implementation of a formal union recognition agreement with University College Union (UCU). This followed an absence of consensus regarding approval for recognition at the March meeting of the Committee.

As a member of the UCU, the Staff Governor declared his interest in this item.

The Committee considered the proposal further, taking into consideration a number of additional points made by the Principal in her paper. It was the view of the CLT that recognition was the right way forward for the College, and that they could effectively manage the implications thereof. Despite a number of reservations, the Committee agreed to support the case for formal recognition, for which full Governing Body approval would be required. In doing so, however, the Committee made a number of observations with regard to the practical implementation of recognition, and the terms of the draft 'Recognition and Facilities Agreement' and 'Remission for Union Duties' guidelines presented:-

- The Committee considered that it remains especially important that all staff are treated equally, and that union recognition should not afford union members preferential status. The CLT should therefore ensure (whether or not specified in the union recognition agreement, or in a separate covering letter), that other staff are also represented, on what should be a joint committee for negotiation and consultation.
- The Committee noted that a combination of the provisions of the draft agreement (e.g. clauses 4.2 and 4.5), specifying that the committee would meet 'as often as necessary' and that 'requests for meetings may be initiated by either side', created the potential for an unacceptably high time commitment. The Committee suggested that there ought to be a limiting provision, such as 'not normally more than once per term'. The Principal undertook to amend the terms of the draft agreement.
- Appendix 1 – Guidance on Collective Dispute Procedures – The reference to a majority vote in relation to the College, in Clause 1, was not appropriate, and the wording should be revised.
- 'Remission for Union Duties' guidelines - It should be made clearer that the number of hours per annum referred to in clauses 1.1 and 1.2 related to all union members, not to individual members.

Actions:-

- i) Draft Recognition and Facilities Agreement and Remission for Union Duties Guidelines to be revised in line with the Committee's recommendations.**
- ii) Proposal for union recognition to go forward to the July meeting of the Governing Body.**

8. Financial Regulations Annual Review (NR)

The Vice Principal presented the College's Financial Regulations for annual review. He advised that

the only revision to the Regulations, other than correction of an anomaly regarding countersignature requirements on orders, was the addition of a paragraph (9.2.4) making reference to the newly enacted Bribery Act 2010. The Committee reviewed the Regulations, suggesting one further amendment (the actions under paragraph 3.3.2 to be changed to an 'and/or' basis). Subject to that amendment, the Committee agreed to recommend the revised Financial Regulations to the Governing Body for approval.

Action: Financial Regulations, amended as suggested, to go forward to the July meeting of the Governing Body for approval.

9. Finance Monitoring Report (April) (NR)

The Vice Principal presented the management accounts for the period to 30 April 2011, which continued to show a shortfall against the original budget, due mainly to enrolments falling well below anticipated levels. He provided a breakdown of the overall adverse variance of £148k.

The Committee noted that the College had received an additional unexpected amount from the SFA. The Vice Principal advised that the College continued to predict that it would 'over-deliver' on SFA requirements. At the end of March, the SFA had paid, without notice, a supplementary grant to those colleges whose mid-year estimates submitted in February anticipated over-delivery. Morley's share of this windfall amounted to £369k (75% of estimated over-delivery, but with no information as to how the figure had been determined). This matter had only come to light since the last meeting of the Committee. For the purposes of the management accounts, the additional amount was being apportioned equally across the four months April-July. The Committee therefore observed that without this, the adverse variance to the end of April would have been greater than that shown.

The Vice Principal pointed out that the profiling of the current year budget was based on prior year actuals, but that the late Easter this year meant that the figures were not directly comparable. At the end of April 2010, Term 3 had started and fee income for the term largely received, whereas Term 3 this year had only started at the beginning of May. The implications of this were that the management accounts to the end of April did not show a true comparison to budget, and that a more realistic comparison would be possible only once the May figures were available.

The Committee noted a worsening in the ratio of Learner Hours to Course Hours across a number of curriculum areas, and, this being a key measure of efficiency, expressed concern at the adverse movement. In particular, notwithstanding the CLT's actions to cancel courses that had not adequately recruited, the implications were that some courses were not making an adequate contribution to overheads, and ultimately there was insufficient curriculum change (in terms of discontinuing less popular courses and providing new courses to attract new students). The Committee questioned what strategic actions, aside from a step change in marketing activity in an effort to improve enrolments, were being taken to tackle the issue. The Vice Principal suggested that the Curriculum Review and Development process needed to be more forward looking than had hitherto been the case. The Principal acknowledged the need to 'raise the bar', and that whilst there was nothing to suggest that tutors were complicit in maintaining classes with low numbers of students, there was a need for further work with Department Heads to ensure that all staff appreciated and were motivated to actively bring about improvements in this area.

The Committee noted the items of expenditure in excess of £10,000 since the last report, being one payment of £24,623, an interim payment in respect of new chair lifts in the Nancy Seear Building.

The Vice Principal tabled a supplementary report presenting a revised financial forecast for the year. This indicated an expected surplus for the year of c.£252k, compared to an anticipated deficit in the previous forecast of £105k, the main factor behind the change being the supplementary grant received from the SFA as previously discussed. The revised forecast continued to include £75k of unspent contingency, although it was likely that there would be a need to call on part of this to cover restructuring costs. The Vice Principal highlighted a number of factors that might lead to a variation from the reforecast, being further fee income in relation to summer school, likely underspend on the cost of provision relating to the Lambeth contract, and also an as yet difficult to forecast final position in

relation to hourly paid tutor costs. The Committee accepted the revised forecast, noting that in many respects it reflected a well controlled budget.

10. Health & Safety Update (NR)

The Vice Principal provided an update on Health & Safety matters. As part of his report, he advised that following concerns identified during the previous term's fire evacuation drill (as discussed at the last meeting of the Committee), a pilot scheme for drawing up Personal Emergency Evacuation Procedures ('PEEPs') for students with mobility problems had been instigated in collaboration with the ALS Department. Procedures would include the use of designated Refuge Points, and in many cases would be drawn up in conjunction with students' carers, so that both students and carers would be fully aware of steps that needed to be followed in the event of an emergency. The Committee asked to be provided with a further update in due course and for sight of an example of an individual PEEP, which the Vice Principal undertook to append to the next Health & Safety update to the Committee.

The Vice Principal provided assurance to the Committee that energy and electrical equipment inspections were being carried out in accordance with requirements. The Committee requested that the next H&S update be accompanied by a schedule setting out the timing of the last inspections and dates upon which the next inspections were due.

Actions:-

- i) H&S update to next term's meeting to include an update on implementation of PEEPs and to append an example individual PEEP.
- ii) H&S update to next term's meeting to append a schedule of inspections of the College's energy and electrical equipment.

11. Any Other Business

There Chairman advised that after chairing the Committee for a period of seven years, he had made the decision that an appropriate time had been reached for him to step down. He was pleased to advise that Karen Di Lorenzo had agreed to take on the role of Chair, although he would remain as a member of the Committee for the foreseeable future. The College's governance framework required the Committee to formally appoint a new Chair from amongst its members, and he suggested that this should take place at the start of the next meeting of the Committee on 27th June. He commented that his period as Chair of the Committee had been an enjoyable one, and he expressed his gratitude to all staff who had worked over the period to improve the quality of information provided to the Committee, contributing to the Committee's much improved level of confidence in the quality and professionalism of management of relevant matters. On behalf of the Board, the Chair of the Governing Body thanked Paul for his huge contribution as Chairman of the Committee and the support he had provided to other members, aided by his grasp and level of understanding the more technical aspects of the Committee's business, and his attention to detail. These sentiments were echoed by the Principal and other members of the Committee

Action:- Agenda for Committee meeting of 27th June to include appointment of new Chair of the Committee.

12. Date of next meeting

The next meeting of the Committee is scheduled for Monday 27th June.

Graham Cooper

Clerk to the Governing Body

Signed.....

Paul Mason, Chairman