

# MORLEY COLLEGE LIMITED

## FINANCE & RESOURCES COMMITTEE

### MINUTES OF MEETING HELD ON 22 NOVEMBER 2011

**Present:**

Karen Di Lorenzo	(Chair)
Laurence Elliott	(Student Governor)
Gareth Julian	(Governor)
Paul Mason	(Vice Chair of Governors)
Ela Piotrowska	(Principal)

**In attendance:**

Nick Rampley	(Vice Principal)
Michelle Punt	(Head of Human Resources) <i>[Item 4 only]</i>

**Clerk:**

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

Apologies had been received from Mary Hawkey.

#### 2. Minutes of the meetings held on 27 June 2011

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

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

- a) **Fundraising Strategy:** The Vice Principal advised that the proposed appointee at the time of the last meeting had not taken up the post. The position had been re-advertised and recruitment had been successful, with the new appointee due to start next week. He would be making contact with Governors in due course to enlist their support and engagement in fundraising activity.
- b) **Industrial Tribunal:** The Vice Principal advised that a decision was taken not to proceed with an appeal of the judgment against the College, given the small amount of the settlement involved. The amount had since been paid, and had been met by the College's insurers. This would have no immediate impact on insurance premium levels as these had been fixed with the insurers for a five year period.
- c) **Capital Development Plan – Standard template for capital project submissions:** The Vice Principal confirmed that a template was being developed, and that this would be put to the test shortly in respect of a proposal that had emerged from the recent Curriculum Review and Development process.
- d) **Review of College Support Areas:** It was confirmed that this had been completed satisfactorily, though there remained a couple of staff positions yet to be filled. The Head of Human Resources had recently completed a half-term review of how the new structure was working, and the results had been very positive.
- e) **Treasury Management – Investment Management Agreement with Royal London Cash Management:** This had been implemented – as confirmed by the Finance Monitoring Report under Agenda item 7.

- f) **Industrial Action:** The Committee noted that once again there was a planned day of industrial action by unions. The Principal advised that the College had been notified by the unions involved, but that it was difficult to predict how many staff might strike. The College had responded in the standard way, advising that the College would not be closing, and asking staff to consider the impact on students and to please provide the College with advance notice if they intended to take strike action.
- g) **Budgetary Planning - breakdown of fee income targets by Department:** The Chair noted that this information was still outstanding and asked that the request to provide Governors with this information was not overlooked.

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

The Head of HR presented her annual report on Human Resources activities, employment trends and statutory diversity monitoring data for 2010/11, providing the Committee with an opportunity for scrutiny of key HR actions and activity.

The Chair thanked the Head of Human Resources for the report, noting also its value for use by the College Leadership Team and HR team. In reviewing the contents of the report, the following points were raised / discussion:-

- a) **BEC** – The acquisition was the main reason for the increase in staffing over the previous year.
- b) **Recruitment** – The number of positions advertised was similar to that of the previous year, though the average number of applications per post had fallen. The HR report provided data on the breakdown of applications by ethnicity, disability status, sexual orientation, and religion/belief, to the extent that these had been disclosed by applicants.
- c) **Retention** – Whilst staff turnover was for the year was 11%, slightly up from 10% the previous year, this remained below the average for the sector of 14% (as published in the AoC annual survey).
- d) **Dismissals** – The report included data relating to 16 staff who were made redundant after a restructuring process over the summer, though many of the terminations did not actually take effect until September 2011.
- e) **Absence management** – The Head of HR highlighted efforts that were being made to manage absence, with managers encouraged to adopt a systematic approach to Return to Work surveys, and with appropriate triggers in the College's Absence Policy. She advised that the figures presented included long term absence, including staff who had since been dismissed. All staff on long term absence were being managed appropriately.
- f) **Contractual issues** – The Head of HR advised that in 2010/11 the HR department resolved a long term issue of a number of staff not having been issued contracts at the start of their employment. All staff had now been issued with contracts, and the Committee congratulated the HR team on this achievement.
- g) **Appraisal** – The Committee noted that appraisal documentation had been received for only 66% of staff covered by the process. The Head of HR explained that this was mainly as a result of the restructuring process that had occurred at the point at which Development Review Meetings were usually conducted. The department would be ensuring that steps were taken to ensure that the remaining staff are appraised and that development needs were identified.
- h) **Gender pay gap** - Data presented in the report indicated that average pay of male employees was higher than that of females. Surprise at this fact was expressed, as some of the more senior posts in the College were held by women, including the roles of Principal, Deputy Principal and all of the Curriculum Area Managers. Equally however, many of the lower paid roles, such as those of cleaning staff were held by women. The Head of HR emphasised that there was no pay discrimination between men and women doing the same roles, and the Chair asked that the College ensures, when the data is published as part of E&D requirements, that the information is contextualised so as not to lead people to the conclusion that discrimination is taking place.
- i) **Publication of E&D data** – Noting the requirement for the College to publish data in accordance with the Equalities Act, the Committee suggested that one way in which this might be achieved in the future would be to include the data within the section on E&D in the Annual Report & Accounts

The Committee thanked the Head of HR and her team for providing such an informative report.

*[The Head of HR left the meeting].*

## **5. Draft Report & Accounts to 31 July 2011 (NR)**

The Vice Principal presented the draft statutory financial statements for the year ended 31 July 2011, and relevant information from the Financial Statements Auditors' Final Audit Findings Report for consideration by the Committee, noting that these would also be reviewed by the Audit Committee. He reminded the Committee that the College had appointed new Financial Statements Auditors for this year, Baker Tilly LLP, that they had therefore been particularly thorough, and that there had therefore been some sense of anticipation as to what findings might arise. Their final report confirmed that none of their findings represented a significant deficiency.

### **a) Financial Statements Auditors' Findings Report.**

The Vice Principal guided the Committee through the papers, reviewing the following items:-

- i) **Audit and accounting issues identified by the College and discussed at the planning stage.** These included:- the treatment of redundancy costs, capital expenditure over the summer period, teaching costs, the Regularity Review, the potential for clawback of funding, and the accounting treatment of Heritage Assets. During their work, the Auditors raised only one significant matter; that the College had identified that it owned a number of assets which might fall under FRS30 as Heritage Assets, and the College needed to give further consideration regarding the disclosures made in the financial statements. The Committee noted that FRS 30 was a relatively recently introduced Accounting Standard, and that the matter had not therefore been considered previously. The main asset involved was the College's art collection, valued at c. £1.25m, but which did not currently appear in the Balance Sheet. The Committee was keen to ensure that the College did not get into a situation that required a costly annual revaluation of assets. The Vice Principal advised that matter would be put to the Audit Committee the following week for consideration.
- ii) **Unadjusted/adjusted misstatements.** There was nothing material to give rise to concern.
- iii) **Significant deficiencies in internal control.** The FS Auditors raised three findings which they considered merited attention by the College, but none of which they considered represented a significant deficiency. The Vice Principal advised that these issues were being addressed. One item related to a discrepancy in insurance records, about which the College had contacted the insurers. This had resulted in a surveyor being sent out to the College, who had concluded that the College's intruder alarm required upgrading.

### **b) Draft Report & Accounts**

The Vice Principal reminded the Committee that the preliminary results presented to the October meeting of the Governing Body had anticipated a surplus for the year of £211k, and he appended the FMR which had gone forward to that meeting for further review. Noting that the Draft Financial Accounts submitted showed a deficit of £4k, he provided a reconciliation between the two figures, pointing out that the major adjustments related to staff and pension costs (FRS17), bringing in items not included for management accounting purposes (e.g. legacy income), and transfers from the Development Fund and Restricted Funds in relation to capital investments.

In reviewing the detail of the Draft Report & Accounts, the Committee discussed the following specific items:-

- i) **Debtors** – The Vice Principal highlighted that the situation regarding student debtors, which had been an issue when he first arrived at the College, had now been resolved and that there were no matters for concern.
- ii) **Public Benefit Statement (page 3)** – The Committee considered that the statement did not do justice to all the good work that the College does for the benefit of the public, and asked that the statement be expanded.
- iii) **Fee income (page 4)** – The Committee felt that more could be said about the value of fee income generated.

- iv) **Financial Objectives (page 4)** – the statement ‘to maintain liquidity’ was considered not to be sufficient – to be expanded to reflect ‘to maintain financial health’. Also, the final objective ought not to focus on reducing staff costs, and ‘to improve the efficiency and utilisation of resources’ would be more appropriate.
- v) **Risk** – The Committee noted that the Audit Committee would focus on this element.
- vi) **Disability Statement** – The Principal considered that this should be an Equalities Statement rather than a Disability Statement. The Vice Principal noted that the previous year’s wording had been changed at the request of the FS Auditor. It was agreed that the Principal would write something to be added to this section.
- vii) **Statement of Corporate Governance and Internal Control** – Minor amendments to two Governor details were required following their reappointment at the October Board meeting. Also, the Committee considered that a sentence should be added to reflect the Governing Body’s recent decision to discontinue some of the Committees referred to in this section.

The Vice Principal highlighted that the Auditors had given a clean Opinion on the Report & Accounts and also a clean Regularity Audit Opinion. He also noted that the first audit with Baker Tilly LLP, who had been appointed for a period of five years, had gone very smoothly. The Committee agreed to recommend the Draft Report & Accounts, amended as discussed, to the Governing Body for approval.

**Action:- Draft Report & Accounts, amended as discussed, to go forward to the December meeting of the Governing Body for approval.**

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

The Vice Principal provided an update on progress.

### **a) Completion of Phase 1**

The Vice Principal advised that the only outstanding item for completion from Phase 1 was now External Signage, which had been delayed due to the need for planning permission from Lambeth Council. Consent had now been obtained, and the work was scheduled to take place before Christmas. Phase 1 of the Development Plan was otherwise complete, other than some snagging to be rectified. Governors had already viewed most of the improved facilities.

The Committee enquired regarding the success of implementation of the new telephone system and computer server hardware, and the Vice Principal confirmed that the latter was working effectively and that a post-implementation review would be undertaken at the end of the term. With regard to the telephone system, additional functionality was yet to be rolled out to all users.

The Committee reviewed the enrolment data provided relating to those curriculum areas that had benefited from substantial investment in new facilities, noting disappointment in the drop in Sculpture enrolments partly due to the need to postpone courses because of a delay in completion of the works. The Vice Principal noted that the drop in enrolments was not expected to be permanent. The growth in Music Technology enrolments was also observed as being fairly low, though the Vice Principal pointed out that many students in that area were full time, that next year’s course offering was expected to be further enhanced, and that the facilities also benefited students on other programmes, such as Access to Music. The Music Department overall had achieved the biggest percentage increase in enrolments across departments this term. The Vice Principal also highlighted that, through the Curriculum Review and Development process, the CAMs had been made very aware of the need to capitalise on the investments that had been made, and were generally responding well to the challenge.

### **b) Capital Grant Funding / Development of Phase 2 of the Capital Development Plan**

The Vice Principal reported that the SFA had recently announced, without prior notice, a further round of grant awards, for which the College was eligible for £100k on condition that at least two thirds of project costs were provided from the College’s own resources. This was in addition to the £267k Renewal Grant funding that the College had received in the previous year. It was expected that the College would be able to secure the further grant by applying this to projects already identified and mostly completed.

It was noted that the SFA was additionally making available Enhanced Renewal Grants of up to a further £1.9m, but that any proposals had to meet a number of criteria, including match funding, be developed to RIBA Stage C or equivalent, and include an investment appraisal. The Vice Principal noted that whilst the College was not in a position to benefit from this funding on this occasion, it was very useful to have an understanding of the position that the College would need to be in if it was to benefit from similar grants in the future. It was the College's intention, as approved by Governors, to move forward to RIBA Stage C, and at an appropriate time, Governors would need to consider affordability and whether and how much the College might want to borrow in order to finance the proposals that emerge.

The Vice Principal confirmed that the £50k expenditure previously approved by Governors was still expected to be sufficient to cover the next stage of scoping work, which would be put out to tender under OJEU (Official Journal of the European Union) procurement rules. The Chair expressed some concerns that the need to comply with the OJEU process might prolong matters, although the amount involved at this stage may be below significant thresholds. The Vice Principal advised that he was only just at the stage of exploring the process.

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

The Vice Principal presented the Finance Monitoring Report for the three months to the end of October. This showed a surplus for the period, which was to be expected at this time of year though the amount of the surplus, being £63k, was below budget, mainly due to fee income not hitting target. He highlighted however, that the pattern of income and expenditure timing had been different in each of the last three years, and despite attempts to understand why, budgeting on a monthly basis remained very difficult. The end of each College term was really the time to make a meaningful assessment of performance on a comparative basis.

The Principal advised that, in the context of a very difficult economic environment, she considered that the College was performing well. There had been significant success with increased enrolments in Music and Fashion, although partially offset by lower enrolments in some other areas. It was a natural feature of the market, however, that different subjects would be more fashionable at different times. The Vice Principal advised that a positive indicator amongst figures reviewed by the CLT in the previous week had been an increase over the previous year in the efficiency ratio, an indicator of larger class sizes.

The Committee noted the breakdown of the College's cash deposits included within the report, and specifically that £1,595k was now deposited with Royal London Cash Management in accordance with approval that Governors had previously given.

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

The Committee received the report which included a report on accidents for 2010-11 and a general update on Health & Safety matters for the autumn term.

The Chair enquired regarding progress on the scheme for drawing up Personal Emergency Evacuation Procedures ('PEEPs') for students with mobility problems. The Vice Principal advised that this had been discussed at the previous week's meeting of the Health & Safety Committee, and that the Additional Learning Support Department and the Premises Manager had been urged to move matters forward. The Chair noted that this was an area on which Governors should continue to seek assurance regarding progress.

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

The Committee reviewed the summaries of strengths and weaknesses from the Self Assessment Reports for the College's support areas. The Principal advised that the SAR process was primarily designed with curriculum areas in mind, but that it was considered that it also had value for support areas, aimed at trying to get these areas to examine the way that their activities impacted upon students. The results would be used to underwrite each department's development plan for the current year.

Overall gradings varied across departments, The Committee noted in particular the Outstanding grade for Finance, which had been an improvement from Good in the previous year, and which the Committee considered was well-deserved. The Principal commented on the positive contribution made towards staff development by the SAR process, and as part of this the moderation meetings that the CLT held with departmental managers. The latter had also used the SAR process as a management tool to improve departmental performance and to commend staff on achievement of improved performance. The Committee was also pleased to see that the much improved grade of Good for IT and Technical Resources, which the Principal confirmed was endorsed by the output from the automated feedback system used by the department, and by positive feedback from Curriculum Area Managers.

The Principal emphasised the importance of the SAR process, and that it was especially important for Governors to ensure that there remained an appropriate mechanism for Governor scrutiny of this within the new governance structure that the Board had decided to implement.


#### **10. Any Other Business**

There was no other business.

#### **11. Date of next meeting**

The Chair noted that, arising from the changes to Governance at the College as recently agreed by the Governing Body, subject to review in six months time, this would be the final meeting of the Finance & Resources Committee. She thanked the members of the Committee for their past contributions. The Committee noted that it would be particularly important to ensure that the new Governance arrangements provided an appropriate mechanism for Governor oversight of a number of important aspects of the past business of the Committee.

Graham Cooper  
Clerk to the Governing Body

Signed:-   
Karen Di Lorenzo, Chair