

## Ruskin College

### Minutes of the Finance Committee meeting held on Thursday 29 April 2010 at 11.00am

**Present:** Jane Dixon (Chair), Audrey Mullender

**In attendance:** Sally Courtney, Chris Wilkes, Denis Gregory, Mike Gill (Co-operative Bank) (part), Bob Wood (Co-operative Bank) (part), Rebecca Cox (Clerk)

#### 1 Apologies for absence

Action

**Noted:** that apologies had been received from Anne Hock, David Norman and Teresa Munby. Denis Gregory was attending in Teresa's place.

With only two members present, the meeting was inquorate and items would have to be formally ratified at the next meeting as appropriate.

#### 2 Capital Project – update on funding

**Agreed:** that this item would be taken first.

**Received:** a verbal report on the terms and conditions of the Co-operative Bank's loan offer from Mike Gill and Bob Wood, a report on the ability of the College to service the loan, and a tabled set of questions from Teresa Munby (attached).

**Noted:** that the College was not proceeding with the Barclays loan. The original offer from the Co-operative Bank was still open and two representatives were present today to answer questions on its terms and conditions. They would also be attending the Governing Executive on 14 May. The loan offer was unchanged from that made last year: it would be a 30-year loan, reviewed after 15 years, with interest only payments for the first 3 years. It proposed that 50% would be fixed at the market rate at the time the loan was taken out for a set number of years, and that 50% would be hedged at a variable rate. A lengthy discussion ensued in which the following points were clarified:

- the reason for the 50/50 split between fixed and variable rates was to try to protect the College's cash flow as far as possible. With 50% fixed at a rate that the College could service, accurate projections regarding loan repayments could be factored into the budgets, whilst the 50% at a variable rate would enable the College to take advantage of the lower variable rates currently available. The option was also available to take 100% at a fixed rate, though not to take 100% at a variable rate
- if following the fundraising and value engineering work being undertaken the College did not need to take out the full £2.6m, a different split between variable rate and fixed rate could be renegotiated, as there would be elements of the current offer that would not make sense if the amount were smaller. As a purely hypothetical example, if only £650K were required, it might be decided that the College could cover any adverse movement in interest rates and therefore an option to take 100% of the loan at a variable rate offered
- if Ruskin were ever in a position to pay off a lump sum, it could do so with the variable loan without incurring a penalty. However, with the fixed rate loan there would be an economical cost to break the fix, dependent on interest rates
- there would be no option to negotiate the fixed rate of interest, likely to be around 6%, as this would be set at the commercial rate on the day the agreement was signed. The Co-operative Bank's treasury department would confirm what the current rates were and how the

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College could monitor them in the coming weeks

- in setting up the loan, there would be a £5K charge for valuations and a £5K charge for legal work
- the security against the loan would be £5.2m of the property's value. This was non-negotiable and was standard practice in the Co-operative Bank in situations in which future income was as yet unproven. If a smaller loan were taken, this would be reduced
- the loan offer was open for 90 days and was due to expire at the end of May. It was agreed that this would be extended to 31 July, which would allow time for the necessary legal and valuation work to be carried out - subject to the Governing Executive's decision on 14 May. In practice, the College would need to complete this work sooner and draw down funds prior to 31 July in order not to fall behind the timetable in the agreed phasing programme
- having thoroughly discussed the first question in the tabled paper, it was confirmed that there were no other "collateral warranties" and there were no expectations of how current and other accounts held with the Co-operative Bank would run if the loan is taken up.

The Chair thanked Mike Gill and Bob Wood for their advice and they left the meeting at 12.30PM.

The Committee discussed the remaining questions in the tabled paper, as follows:

### **BANK LOAN**

4. The Finance Director summarised the spreadsheet showing the serviceability of the loan. The loan repayments would be paid from profit from residential income. It was noted that the figures were extremely cautious, as they were based on 100% of the loan being taken at a fixed rate of 7%. The repayment amounts could be less if the loan were taken on a variable as well as fixed basis, and if the fixed rate were lower than 7%. The figures were also based on students known to be definitely attending next year that were likely to go up, and on under-occupied rooms.
5. The College had not signed leases for the block booking of Biko and Bowen. It would instead be offering accommodation to St Cross students on an individual basis. It was anticipated that Ruskin accommodation would appeal to them due to its proximity to the John Radcliffe Hospital and to the city centre, though a cautious estimate had been used of the number of vacant rooms likely to be available and the loan could still be serviced without income from this source
6. A representative from Tenon would be attending the Governing Executive on 14 May to present a revised independent report on the loan offer and serviceability. The Management Team were asked to ensure that this adequately analysed all of the risks associated with taking out the loan
7. No contingencies had been made regarding the loan not being taken out, as the Governing Executive had already approved the loan in principle.

### **CONTRACTS**

1. The present build contract for Smith, Webb, Biko and Bowen was signed on 17 March 2010 for £2,860,000. The refit costs were currently being finalised as part of the overall budgeting and value engineering exercise
2. and 3. The timescale and budgets for the Academic Building had already been agreed by the Governing Executive. With regard to planning

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permission, the maximum delay would be one month and this had been built into the programme.

### WALTON STREET

1. The first payment had been received and the next was due on 4 May, in line with the Gantt chart and terms of the contract previously agreed by the Governing Executive
2. The present contracts entered into for the refurbishment of Smith, Webb, Biko and Bowen could be honoured without a bank loan
3. The Academic Building could not be built without a bank loan. If it could, the College would not be seeking a loan.

**Noted:** that, as the meeting was inquorate, no formal recommendation to the Governing Executive could be made.

**Agreed:** that those present felt that the issues had been thoroughly explored during the lengthy discussion today, including questions raised by a member unable to attend. The minutes and papers from this item would go forward to the Governing Executive to assist them in taking an informed decision on the loan, together with the advice to be provided at the meeting on 14 May from Tenon and the representatives from the Co-operative Bank.

### 3 Minutes of the last meeting

**Approved:** as a correct record the minutes of the meeting held on 4 February 2010.

### 4 Matters arising not covered elsewhere on the agenda

**4.1** *Historical and current analysis of residential occupancy, including short course students:* the Finance Director reported that she had not had the opportunity to collate the data on the last four years for short course students. Furthermore, the paper on the affordability of the loan superseded this in many ways, as it was based on actual student numbers for next year and, with the planned changes in the curriculum that would affect short course student numbers from 2011, the exercise would not be particularly helpful.

**4.2** *Update from Management Team on additional ways to make savings until 2012:* the Principal reported that the College were looking at a very limited severance scheme, which was voluntary and would affect only two or three posts. It was likely to involve only domestic staff, though a JNC meeting was being held tomorrow to discuss whether any other staff groups would wish to be included. Work was also ongoing in identifying savings in procurement and non-pay costs, and cautious budgeting was being undertaken for next year. There were no further matters arising.

### 5 Financial report on 2009/10

**5.1** **Received:** a report on the position at the end of March 2010.

**Noted:** the Finance Director summarised the report, in particular:

- that the position forecast at the end of this year was not good news. It did take into account assumed savings from the pay deal, but not the non-pay savings identified
- the accounts incorporated the rebasing exercise and there had been a shortfall in tuition fees due to low student numbers
- as there would be a significant depreciation exercise carried out before the year-end to write back work that had been supported by capital grants and to calculate the profit on the disposal of Walton Street, it was felt that depreciation should be shown below the line in order not to distort the operating position

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- at this point, cashflow forecasts for the next twelve months were positive. The Finance Director planned to run combined cashflow for the Capital Project and the management accounts in the future to enable the College to be aware of when borrowing would be required.

There were no questions or comments raised.

- 5.2** *Investment of funds:* the Finance Director reported that, as agreed by Finance Committee members by email, the College had opened a deposit account with the Scottish Widows recommended for charities. This offered 2% interest and required only seven days notice. These terms were more favourable than the Bank of Scotland, who offered 0.6%, and Close Brothers, who offered similar interest rates but required a great deal more notice. This had been done in advance of today's meeting, as the College wished to invest £800K of the funds from the first payment for Walton Street as soon as possible in order to maximise interest earned.

## 6 Funding

- 6.1** **Received:** report on HEFCE funding.

**Noted:** that Ruskin had been given a 1.84% increase in funding, which was greater than that received by Oxford Brookes or Oxford University.

- 6.2** **Received:** report on SFA funding.

**Noted:** that this was down on last year due to the rebasing exercise, but it had been confirmed that funding would be protected for next year. It was also noted that Ruskin tutors had very favourable terms and conditions, with 500 teaching hours and 500 research and development hours, which did not generate income for the College. This was an inherited historical position, which had created financial problems, and which may have to be reviewed in the future in the context of the viability of College business.

## 7 Budget process

- 7.1** **Received:** draft student numbers for 2010/11.

**Noted:** that these were still under review and would be considered at tomorrow's Cost Centre Managers and Estates Committee meeting. The College looked set to meet its targets, but the uncertainty surrounding the curriculum changes had meant that sensible assumptions about student numbers had been necessary. The final version would come back to the next meeting with the budget. The possibility of offering weekend rates and enabling students not eligible for HEFCE funding to pay just the tuition fees themselves to join courses that were definitely running (on a case-by-case basis) was discussed and would be looked into further. The issue of reporting students' eligibility for funding was also discussed, and it was noted that the College was dependent on students giving accurate information and therefore should ensure that it exercised due diligence in order to verify the facts as far as possible.

- 7.2** **Received:** tariffs for 2010/11.

**Noted:** that charges for MA courses had increased significantly for year one students. These had been raised following a review of HEFCE guidelines and they were now in line with last year's recommended charges. The Principal queried whether tea and coffee was charged at 80p in the Dining Room to long course students and asked that it be reduced to 50p if this were the case.

SC

**Approved:** with this amendment if required, the tariffs for 2010/11.

## 8 Tuition Fees Policy

**Received:** Tuition Fees Policy.

**Noted:** that this brought together a number of other documents into a

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combined policy for the first time. It formally clarified many issues, such as what students pay if they fail, how payments could be made in instalments and details of external funding available, and would be very helpful for staff and students. The Principal commended the work that had gone into this document and thanked those involved for their efforts.

**Approved:** the Tuition Fees Policy.

### 9 Feedback from the LSC/SFA

**Received:** a letter from the LSC regarding Ruskin's Financial Statements 2008/09 and from the SFA regarding the Financial Management and Control Evaluation.

**Noted:** that the College had rated its financial health as 'satisfactory', but the LSC had deemed it to be 'good'. This was largely due to the amount of cash reserves Ruskin had and would be likely to change in the future. The Financial Management and Control Evaluation was a self-assessment exercise carried out as part of the Framework for Excellence. The SFA had agreed with the College's grading of 'good'.

### 10 Cost Centre Managers and Estates Committee

**Noted:** minutes of the meetings held on 29 January 2010 and 3 March 2010.

### 11 Dates of meetings in 2009/10

**Noted:** the remaining meeting date for Finance Committee in this academic year:

- 18 June 2010 at 11.00AM (*new date*)

*There being no further business, the meeting closed at 1.20pm.*