

Ruskin College

Minutes of the Finance Committee meeting held on Friday 18 June 2010 at 11.00am

Present: Jane Dixon (Chair) Anne Hock (part) Audrey Mullender (part) Teresa Munby (part) David Norman	In attendance: Sally Courtney Rebecca Cox (Clerk) Chris Wilkes
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1 Apologies for absence Action
Noted: that no apologies had been received.

2 Minutes of the last meeting
Approved: as a correct record the minutes of the meeting held on 29 April 2010.

3 Matters arising not covered elsewhere on the agenda

3.1 Noted: that that contract for Phase 1 C/D of the Capital Project had come in under budget and the same firm had been appointed as for Phase 1 A/B, which was good for continuity.

3.2 Noted: that the Management Team were working on creating performance indicators and both financial health and staff costs could be included. This was a work in progress and would be reported at a later date.

4 Capital Project - loan funding

4.1 Received: a report on the interest rate options for the loan.

Noted: that the paper received today was a copy of the presentation made to the Management Team by the Co-operative Bank's Treasury Department and the College's bank manager. It outlined the various financial instruments that could be used for the 50% of the loan that did not have to be fixed under the terms of the loan offer. If one of these options were selected and a lump sum were paid off at any stage, the College would incur a penalty – at a rate yet to be confirmed – whereas there would be no penalty payable if the 50% were taken on a variable rate.

Agreed: that the most sensible approach would be to take 50% on a fixed rate and the remaining 50% on a variable rate. This was considered to be a cautious approach which would offer the most flexibility, particularly important in the light of the uncertainty surrounding future interest rates and funding for the education sector, and would minimise the possibility of incurring penalty payments.

(Anne Hock joined the meeting at 11.15am.)

No decision on this would need to be taken by the Governing Executive until the autumn, by which time the College would know exactly how much it would need to draw down as the Phase 2 contracts would have been received. At that stage, It would be important for the Finance Committee to give the Governing Executive a firm steer and the Finance Director was asked to bring further detail to the next meeting on what the penalties were likely to be for each of the financial instruments outlined, together with a report on the valuations carried out by Savills for the Co-operative Bank stating which buildings would be cited as forming the £5.2m security for the loan.

SC

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(Teresa Munby joined the meeting at 11.25am.)

4.2 **Received:** contingency plan for the repayment of the loan.

Noted: that for the period 2010-12 the loan repayments would be interest only and the risks would be managed within the Financial Plan and the Risk Management Plan, as the figures involved were relatively small. From 2012/13 onwards, both interest and capital repayments would have to be made and, at this point, the risk of not being able to meet the payments would increase significantly. If business were not coming in as planned or cuts in funding had affected income more than anticipated, the ultimate contingency plan would be the disposal of one or more of the properties in Stoke Place.

Agreed: that the possible disposal of these properties, particularly Stoke House which would be a highly marketable asset, was an adequate contingency plan at this stage. However, should a contingency be required, all possible options would be looked at to determine the best option at that time – such as, paying off only part of the loan, looking for a buyer for the west side of the site to run the residential provision separately, disposing of the Stoke Place properties (which would need to be independently valued) or utilising a further land asset whose value was being kept under review.

Agreed: that the General Secretary's name should be added as the author of the document and that it should be dated before being recommended to the Governing Executive.

CW/Clerk

5 **Financial report on 2009/10**

Received: a report on the position at the end of April 2010.

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

- that income from tuition fees was down £250K on budget
- that the anticipated saving on pay costs had been reduced to £16K due to agency staff and high levels of overtime worked by domestic staff at weekends

Agreed: that it would be necessary to look at the conditions of service for domestic staff following the move to the new catering facility to address this matter

- that, with depreciation, the bottom line deficit at year-end could be as high as £300K. For depreciation purposes, Walton Street had been included only until 31 March 2010 in line with advice from the auditors
- that severance costs of £7K relating to 5 people (3.17 FTEs) were not yet included in the accounts

Noted: the following issues raised as questions or comments:

- that the shortfall in tuition fees was the most worrying figure as it represented the College's core income, particularly given that targets for next year were not looking deliverable at this stage
- that Ruskin staff were incredibly well-treated currently and this may not be able to continue if the College wished to move into a surplus budget
- that the Cost Centre Managers meetings were effective in engaging staff with the budget and the importance of making savings, and that this should be maximised
- that the financial position was poor and required drastic action, which could prove difficult during the development period and the restructuring of the College's business.

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6 Amendment to tariffs

Received: amendments to residence and catering tariffs.

Noted: that, following negotiations with students, the tariffs for residence and catering at Headington had been reduced slightly from £91.35 to £85.00 per week in recognition of the building work being carried out on the Ruskin Hall site.

Noted: that the paper circulated for today's meeting did not show the reduced rate for the vacations and the Finance Director was asked to amend this.

Approved: subject to this change, the amendments to the tariffs.

SC

7 Student numbers

7.1 Received: report on performance against SFA cash targets for 2009/10.

Noted: that the student numbers targets would be met, but the cash targets were less certain due to the £45K rebasing exercise carried out mid-year. It was anticipated that these would be met - if short course income in the next few weeks came in as planned. It was expected that TUC courses would exceed their targets.

7.2 Received: draft SFA student numbers and cash targets for 2010/11.

Noted: that there was a £135K gap on planned work due in part to the uncertainty regarding the short course curriculum and a reduction in the Trade Union short course income, as the GFTU partnership in its current form would stop after 31 December. Also, more than half of the students coming through the Organising Academy would not be fundable from August 2011 due to their prior qualifications. A meeting had been set up at TUC headquarters to look at what to do about this, for example look to add it onto the HE offer – though this would take it out of SFA funding and replacement work would need to be identified. It was suggested that the first year of the Creative Writing for Performance could be included as a CertHE and this was to be investigated further. If unit funding is introduced into the QCF, the financial situation would not be as difficult since short courses are easier to fill.

AM

8 Budget process

Received: the draft budget for the year to 31 July 2011 and three tabled papers – a commentary and two sets of accompanying figures – previously circulated by email.

Noted: the Finance Director summarised the key points, including:

- **funding:** that HEFCE funding reflected a small increase, contract funding remained the same and grant funding from the Webb Memorial Trust had finished
- **tuition fees:** each Academic Centre had been looked at individually to determine what the position was for this current year to try to make realistic assumptions in planning for next year. Short course income was included only for the autumn term due to the uncertainty regarding its future funding.

(Audrey Mullender left the meeting at 12.25pm.)

Noted: the following comments:

- that, given the concerns already discussed regarding meeting targets for next year, these figures should be scaled down to ensure that they were as accurate as possible. For the past three years, forecasting had been overly optimistic and the Committee would like to present a

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realistic picture to the Governing Executive

- that staffing represented 71% of the budget, which is disproportionate to the HE and FE sectors, and it was vital that it be planned around accurate forecasting
- that non-pay areas should also be examined to develop ways of

engaging all staff in responsible procurement and spending practices

(Audrey Mullender rejoined the meeting at 12.40pm.)

- that catering should be looked at further as this should run at a profit, particularly for courses coming in.

Recommended: to the Governing Executive the draft budget for the year to 31 July 2010, with the caveat that the figures be revised in the light of concerns raised today.

Mgmt
Team/
Gov Exec

9 Cost Centre Managers and Estates Committee

Noted: minutes of the meeting held on 30 April 2010.

10 Dates of meetings in 2010/11

Noted: meeting dates for the Finance Committee for the next academic year, all at 11.00am:

- 12 November 2010 – **noted**
- 4 February 2011 – **noted**
- 6 May 2011 – **changed to 9 May 2011 due to local elections**
- 24 June 2011 – **noted**

There being no further business, the meeting closed at 12.51pm.