Ruskin College

GOVERNING EXECUTIVE

Minutes of the five hundred and fifty-sixth meeting of the Governing Executive held on Friday 14 May 2010 at 11.00am at Ruskin College, Walton Street, Oxford

Present:	Jane Aldgate	**In attendance:**	Sally Courtney
	Mike Bradley (part)		John Collins (part)
	Jane Dixon		Rebecca Cox (minutes)
	Kit Johnson (part)		Hilda Kean (part)
	Pam Johnson (part)		Chris Wilkes
	Jo Morris (part)		
	Doug Nicholls		Chris Mantel
	David Norman (Chair)		(RSM Tenon) (part)
	Carole Orgell-Rosen (part)		Bob Wood (Co-operative
	Pearl Ryall		Bank) (part)
	Liz Mathews		
	Audrey Mullender		
	Teresa Munby		
	Kieron Winters		
	Nigel Williams		

PART A

1 Apologies for absence and welcome new members Action

The Chair welcomed all to the meeting, in particular Kit Johnson the newly elected RSU president. Apologies were received from Chris Baugh, Jan Etienne, John Fray, Anne Hock, Ruth Hunt, and Elcena Jeffers, student representative, in place of whom John Collins was in attendance. Apologies for lateness were received from Jane Dixon and Teresa Munby.

2 Absent

Pamela Roberts was absent without apologies.

3 Election of student member

Approved: the election of Kit Johnson, student representative, as a full member of the Governing Executive, which would be formally ratified at the AGM.

4 Chair’s introduction

Noted: that the Chair reminded those present that the Governing Executive was a democratic body whose members were not attending as delegates, but with individual responsibility to take decisions that were in the best interests of the College.

5 Declaration of interests

Noted: that no member present declared any interest, financial or otherwise, relating to any item on the agenda.

Ruskin College

5.2 **Confirmed:** as a correct record the minutes of Part A of the Governing Executive meeting held on 5 March 2010.

6 **Finance Committee**

Agreed: that the agenda would be taken out of order, with items 6.1 to 6.7 taken together.

6.1 **Received:** minutes of the Finance Committee meeting held on 29 April 2010.

6.2 **Received:** letter from the Co-operative Bank regarding the loan offer.

6.3 **Received:** letter from the LSC giving consent for the loan.

6.4 **Received:** report on the ability of the College to service the loan.

6.5 **Received:** report from independent advisors on the loan offer.

6.6 **Received:** report on the financial position to the end of March 2010.

(Jane Dixon joined the meeting at 11.15am.)

Noted: the Principal introduced the items, stating that the Governing Executive meeting on 27 November 2009 had approved in principle that a loan should be taken and that today the terms and conditions of the Co-operative Bank's loan offer were before members for approval. It was recognised that the decision to take a loan of £2.6m was a significant one, which would be taken collectively by the stakeholders following detailed debate and discussion. The Finance Committee had already closely scrutinised this matter, though no firm recommendation had been made as that meeting had been inquorate. Today, Governing Executive members would need to assure themselves that all necessary issues had been considered in sufficient detail before taking a decision. To assist in this, Bob Wood from the Co-operative Bank and Chris Mantel, an independent advisor from RSM Tenon, had been invited to the meeting to present their reports and answer questions.

Noted: Bob Wood outlined the terms and conditions of the £2.6m loan offer. The repayments had been structured to fit in with the College's business plan and cashflow forecasts, with the first three years as interest-only payments to cover the period when the income streams would not yet have reached their full potential. The current offer required that at least fifty per cent of the loan be fixed, either as a straightforward fixed rate or by making use of one of the other financial instruments available. This would assist the College in making accurate cashflow forecasts, and up to one hundred per cent could be fixed in this way if this were preferable. If fifty per cent were taken at a variable rate, it would allow the College to take advantage of the current lower rates of interest and to have the flexibility to pay back the loan more quickly, for example if donations or bequests were received, without incurring financial penalties. The terms of the loan would be reviewed after fifteen years, at which point it was anticipated that fifty per cent of the loan would have been repaid. The arrangement fee for the loan had been set at a reduced rate of half a per cent in recognition of Ruskin's long-standing custom of the Co-operative Bank, and there would be a further cost of £10K for the security and valuation fees. The security for the loan would be property to the value of £5.2m. The loan would be drawn down as required over the period of time it would take to develop the site, with interest payable daily based on the amount drawn down.

(Teresa Munby joined the meeting at 11.30am.)

Noted: Chris Mantel summarised the key issues in his report on the terms of the loan offer and the ability of the College to service the loan. As highlighted previously, a figure of £447,197 was included in the balance sheet that was not supported by cash and could therefore be seen as a shortfall. Value engineering work had been undertaken to identify savings in the project and fundraising was ongoing, which together should eliminate this shortfall. If not, the College had assets which could be sold to cover it. In terms of affordability, there would need to be sufficient contingencies in the projected cashflow to act as a safety net in the light of uncertainties in funding in the further and higher education sectors. The independent advice concluded that the terms of the loan were competitive and reasonable, especially compared to loans offered to the education sector.

The Chair gave all present the opportunity to ask questions regarding the terms and affordability of the loan, during which the following points were clarified:

- that although the only forecast budget brought to the meeting today was the residential budget, RSM Tenon and the LSC had been provided with a ten-year forecast to assist them in determining the affordability of the loan
- that the loan was to be taken to fund the residences, but for cashflow purposes it would only be drawn down as required in order to minimise the interest paid
- that the College would have to maintain an Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of £130K from 2013/14 onwards in order not to breach a covenant of the loan offer. It was confirmed that this would be possible even if reporting a deficit, and that the projection that the College would be in a position to meet this requirement was based on sound assumptions in the opinion of the independent advice
- the Finance Director confirmed that the cost of the loan servicing for the first three years shown in Appendix II of the report from RSM Tenon increased each year as it was based on a forward projection of a rise in interest rates
- the Principal stated that Ruskin was in a unique funding position due to its status as a ring-fenced specialist institution and its widening participation mission and therefore had more security than a normal college in these uncertain times
- the Finance Director reported that the question regarding trustee liability had been addressed and additional cover purchased, with the liability increased from £3m to £5m
- Chris Mantel confirmed that RSM Tenon would be reporting on the loan in the 'Going Concern' heading of the external auditors' management letter each year end. They would make sure that the College was monitoring the bank's covenant and look at the cash flow projections and give guidance. The internal auditors would report to the Audit Committee on the risks associated with the project and the Finance Committee would continue to monitor the management accounts. There would therefore be two standing committees with a watching brief and a duty to flag potential problems to the Governing Executive.

The Chair thanked Bob Wood and Chris Mantel for their helpful advice and they left the meeting.

(Kit Johnson and Carole Orgell-Rosen left the meeting at 12.05pm.)

The Chair invited members to comment on the terms of the loan and the ability of the College to service it and a number of points were raised, including:

- that there were concerns about the affordability of the loan when the College was currently in deficit

(Kit Johnson and Carole Orgell-Rosen re-joined the meeting at 12.07pm.)

- that residential income would be key to making the repayments and yet the individual bookings from St Cross students cited in the figures were projected rather than actual, which was a concern as the Headington site would be a less desirable option next year due to the building works
- that, as the loan offer was open until 31 July, could the decision be delayed until the next meeting when the detailed budget for next year would be available.

The Principal was asked to respond to the points raised and summarise the recommendation before today's meeting. With regard to affordability, the Principal assured members that the Management Team had made very cautious assumptions when predicting the College's ability to make the repayments. The College was, in fact, predicting a balanced budget for next year, due to a reduction in costs related to procurement changes and the initial benefits of moving towards operating from a single site, as the Rookery would be closed. A voluntary severance scheme was being looked at, including for those domestic staff who did not wish to make the move to Headington, but there were no plans for large-scale job losses. With regard to residential income, it had been indicated that St Cross students would possibly favour Headington due to its proximity to the hospital, and discussions were still ongoing to determine where existing Ruskin students and those joining next year would be accommodated. The Principal reported that the tender for Phase 1 C/D had come in £116K under budget; that the value engineering exercise had already identified significant savings and further funding from grants and donations was still being sought. Therefore, it was likely that the College would not need to draw down the full £2.6m. The Principal emphasised the importance of taking a decision on the loan today, as if the next meeting were inquorate the timetable for the project would be lost, and recommended that the terms of the loan offer be approved.

6.7 The Chair asked members to vote on this issue and the recommendation to approve the loan of £2.6m from the Co-operative Bank was carried, with two abstentions. **Carried**

Agreed: that the Management Team should bring a comprehensive contingency plan to the next meeting, accounting for all the risks that might affect the College's ability to meet the loan repayments. MT

(John Collins left the meeting at 12.40pm and re-joined at 12.42pm.)

Agreed: that authority should be devolved to the Finance Committee to determine to what degree the loan should be fixed and by which financial instrument. Finance Cttee

Agreed: that the minutes of this meeting should be sent to the SFA, with the letter from the Co-operative Bank outlining the terms and conditions of the offer attached, in order to fulfil the requirement to complete the consultation process with the SFA prior to entering into the loan agreement with the bank. AM

The Chair thanked those present for their careful consideration of this issue.

(The meeting broke for lunch at 12.45pm and reconvened at 1.28pm, at which point Mike Bradley, Pam Johnson, Jo Morris and Carole Orgell-Rosen had left.)

The Chair declared the meeting adjourned as it was now inquorate.

(The meeting adjourned at 1.30pm, with all remaining business carried over until July.)