

Ruskin College

GOVERNING EXECUTIVE

**Minutes of the five hundred and fifty-fourth meeting of the
Governing Executive held on Friday 27 November 2009
at Ruskin College, Oxford**

Present: John Fray (Chair), Chris Baugh, Mike Bradley, Jo Morris, Pearl Ryall, Liz Mathews, Teresa Munby, Audrey Mullender, Kieron Winters, Nigel Williams

In attendance: Sally Courtney, Hilda Kean, Chris Wilkes, Rebecca Cox (minutes), Karen Edwards (Tenon) and Tony Pitcher (part)

PART A

- 1 Apologies for absence** Action
Apologies were received from Jane Aldgate, Jane Dixon, Jan Etienne, Ruth Hunt, Pam Johnson, Doug Nicholls, David Norman, Pamela Roberts and Carole Orgell-Rosen.
- 2 Absent**
Fiona Sloman was absent without apologies.
- 3 Organisation of meeting**
Noted: that the meeting was inquorate. All items would be noted and ratified, where appropriate, at the next meeting. Apologies had been received from both the Chair and the Vice-Chair and John Fray was elected as Chair for today's meeting.
- 4 Minutes**
Noted: that the minutes of Part A of the Governing Executive meeting held on 9 October 2009 were approved as a correct record.
- 5 Matters arising**
Noted: that there were no matters arising that were not covered elsewhere on the agenda.
- 6 Election of staff and student members**
Noted: the election of Teresa Munby and Kieron Winters as members of the Governing Executive representing the UCU and UNISON respectively. The Chair welcomed both to the meeting, together with Hilda Kean who had taken on the role of Dean.
- 7 Capital Project – loan funding**
- 7.1 Received:** letter from College solicitors clarifying limits on liability.
- 7.2 Received:** minutes of Finance Committee meeting held on 12 November 2009.
- 7.3 Received:** tabled papers on the proposed loan agreement and letter from independent advisers.
Noted: the Principal introduced the item outlining the background to today's decision regarding a loan of £2.6m to proceed with phase 1 and the refurbishment of Smith House, Webb, Biko and Bowen – the former to be completed by July 2010 and the residences by October 2010. Seven banks had been approached, and details of the two resulting offers, from The Co-operative Bank and Barclays, were outlined in the tabled paper. The terms of each of the loans were similar, though the offer from Barclays was slightly more favourable in every aspect. In addition, Barclays demonstrated a greater

Ruskin College

understanding of Ruskin's position and was working with other Colleges in the same position with regard to capital projects. There was a possibility that it may offer a collective pot of money to such Colleges in the future and, if so, Ruskin would be given the opportunity to join and benefit from a reduced rate of interest. A further benefit was that Barclays were not asking to become the College's bankers, so borrowing for the redevelopment could be kept separate from operational funds. The Finance Director introduced a forecast model, based on very realistic figures, illustrating that servicing of any such loan would be affordable in the long term.

Noted: that Karen Edwards, from Tenon, was in attendance to present her report, as it was vital that independent advice be sought to allow members of the Governing Executive to ensure that they acted in the best interests of the College. Her remit was to look at the terms of the respective loans and the affordability. Having taken all aspects into account, the offer from Barclays was deemed to be the most favourable. With regard to affordability, five key points emerged. Three of these involved obtaining information and ensuring robust financial planning:

- the College should clarify the cost implications of all due diligence to be carried out by the bank
- the College should ascertain the bank's requirements in respect of interest rate management strategy and build this into forecasts
- cashflow for the project should be constantly monitored to maximise opportunities to invest funds and to ensure that loans were drawn down only when necessary to minimise non-utilisation fees

The Management Team had agreed that today's decision should be contingent upon these points being followed up. The two further points related to action to be taken by the College to address two particular budgetary matters:

- that immediate action should be taken to minimise the operational deficit from residence and catering
- that, due to Charity accounting procedures, there was a £350K shortfall in the money that was expected to come from the Development Fund and ways of making this up should be identified.

The Principal reported the College's options for managing these two issues. In the short term, it was planned that one of the residential blocks would be rented out as a whole, as it had been during the majority of academic years in recent times. This would generate an income of at least £80K. Operating costs would also be down with the Rookery out of use and two kitchens running instead of three. From 2012, the College would be operating from a single site, with the residences as a refurbished asset capable of generating income and the catering run on a more commercial basis. Both residence and catering should, therefore, be operating at a surplus at this stage and able to service the cost of the loan. With regard to the £350K shortfall, negotiations with a trade union partner were ongoing and, if successful, would mean at least an additional £600K. In addition, fundraising had so far generated almost £500K. With many sources not yet approached, the College was confident it could raise enough to cover the shortfall. If these options were not successful, there were further properties that could be disposed of. The possibility of making savings in phase 2 was also to be considered.

Noted: that the independent adviser recognised that the College had put forward a very positive case for addressing the two risks identified. The serious risks posed by not taking the loan, writing off the abortive costs and absorbing them in the operational budget and not proceeding with the Capital Project were also highlighted.

Noted: following questions and comments, some further points were raised and issues clarified:

Ruskin College

- that the loan was not linked to the sale of Walton Street, which was currently proceeding as planned, as it related to a different phase of the project
- that, whilst the letter from Eversheds did answer most of the questions regarding Governing Executive members' liability, it was not specific regarding personal liability as trustees of a charity. It was agreed that the decision taken today would also be contingent upon clarification that there was indemnity insurance in place for Governing Executive members as trustees of the charity. Details of this, including an independent opinion, would be brought to the next meeting
- that, given the concerns noted in the Finance Committee minutes regarding the possibility – unusually – of a negative cash flow position in September and October 2010, the idea of having to pay loan repayments was worrying in the short term. The Management Team were already looking at this matter, including the problems related to residence and catering income, and would be reporting back to the Finance Committee and the Governing Executive. Suggestions were made regarding the possible use of money generated through fundraising, and this would be looked at as part of the careful cashflow management previously discussed
- the independent adviser had looked at other colleges who had taken out loans to compare the terms. The rate offered by Barclays was lower, and it was unsecured. The Co-operative Bank had indicated that it would be open to further negotiations, which could be pursued. The ethical nature of the latter was agreed to be desirable, though Barclays reputation from an ethical perspective was sound and it was one of the safer banks
- it was suggested that the bank that was chosen should be approached to make a donation to cover the £350K shortfall.

Clerk

Having summarised, the Principal stated her intention to leave the room and not take part in the vote, as the project was starting to become personally associated with her, as previous projects had for former Principals of the College, and she wanted all the College stakeholders to own the decision reached.

[Audrey Mullender left the room at 1.00pm at which point the meeting became quorate.]

The Chair informed the meeting that the vote would be taken in two parts.

Agreed: the decision in principle to take out a loan of £2.6m was carried.

Carried

Approved: the recommendation that the loan offer from Barclays bank be accepted, subject to the conditions discussed and outlined in the tabled report, was carried.

Carried

[The meeting broke for lunch at 1.05pm and reconvened at 1.50pm, at which point Hilda Kean left and Tony Pitcher, who was to lead the afternoon's training session on protocol, joined. The Principal re-joined the meeting, which was again inquorate]

8 Annual report and accounts 2008/09

8.1 Received: the financial statements auditors' management letter for the year ended 31 July 2009, including the regularity audit.

Noted: that £521K of abortive costs from the Capital Project had been written off with only £250K offset by fee support from the LSC. The external auditors had scrutinised this and, though it was a significant amount, it was negligible in relation to the planned cost of the original project. The regularity audit deemed that the Governing Executive had done the right things at the right

Ruskin College

- times. It was noted that the 'going concern' requirements would need to be considered in more detail next year, due to the issues related to cashflow highlighted by the Finance Committee and the fact that work on the capital project would be underway.
- 8.2 Received:** Governors' register of interest forms
Noted: that the only recommendation in the management letter related to Governors' register of interests, as forms had not all been returned. These would be circulated at every November meeting from now on and members were asked to return them promptly.
- 8.3 Received:** the annual report and financial statements for the year ended 31 July 2009 and the audit representations letter.
Noted: that this would be recommended to the AGM on 4 December.
- 9 Risk Management annual report 2008/09**
Received: the risk management annual report for 2008/09.
Noted: that this report was approved.
- 10 Appointment of external auditors**
Noted: that the Audit Committee had recommended the re-appointment of Tenon as external auditors for 2009/10, and this was in turn recommended to the AGM.
- 11 Higher Education Strategy**
Received: the HE Strategy.
Noted: that this had been updated to take into account the QAA review and would be resubmitted to HEFCE in early 2010.
- 12 Policy reviews**
Received: tabled paper 'Statement of Ethical Mission of Research' which was to replace the one previously circulated in error.
Noted: that this policy was now a 'statement' rather than a 'code'. The Dean had established a working group involving those programmes most associated with research, which would put together more detailed procedures to sit underneath the new statement.
Noted: that this reviewed policy was approved.
- 13 Audit Committee**
- 13.1 Received:** verbal report of the Audit Committee meeting held on 13 November 2009.
Noted: that the Audit Committee had considered the annual report and accounts, the risk management annual report, the internal auditors follow up report and the appointment of external auditors for 2009/10, in addition to the two other reports included in this item which summarise the activity of the Audit Committee over the year.
- 13.2 Received:** the internal audit annual report for 2008/09.
- 13.3 Received:** the Audit Committee annual report for 2008/09.
- 14 Finance Committee**
- 14.1 Received:** report on the financial position to the end of October 2009.
Noted: that the deficit was currently forecast to be higher than anticipated, largely due to a shortfall in tuition fee income, which was disappointing as serious attempts had been made to address this. The cashflow forecast previously discussed, which was always changing and currently showed a breakeven position even at the end of 2010, would continue to be closely monitored as the College did have a problem as it had been running a deficit budget for a number of years and consequently had been reducing its capital

Gov
Exec

Ruskin College

reserves. It was anticipated that HEFCE and LSC cash targets would be met this year.

14.2 Financial management and control evaluation return

Received: the financial management and control evaluation return for 2009/10.

Noted: the General Secretary summarised the self-assessment ratings given in the return, with an overall assessment of 'good'. This would be submitted to the LSC next week and feedback would be brought back to the Governing Executive when received.

15 Principal's report

Received: a report from the Principal.

Noted: the Principal summarised her report, in particular:

- that the College was into the second year of a three year IQER exercise by the QAA. This was the equivalent of an Ofsted inspection for HE, but as a peer review exercise in areas selected by the College and with staff members on the panel this had proved to be a useful developmental opportunity
- that the College was to be judged as part of the new Framework for Excellence, though some of the criteria used and methods of data collection did not fit with Ruskin. This was worrying and would be detrimental as league tables would eventually result from the process. There may be a need to lobby against this and the Principal would report back as necessary.
- current student numbers data indicated that targets were likely to be met this year, and this would be clarified before the next Governing Executive.

16 Student representatives' report

Noted: in the absence of any student representatives the Principal reported that the RSU were in the process of appointing new officers. In the meantime, Andrea Berryman, the President, would attempt to attend meetings if possible.

17 Academic Quality and Standards Committee

Received: minutes of Part A of the meeting held on 22 September 2009.

Noted: that the Dean, as head of the academic side of the College, would be taking over as Chair of this Committee.

18 Date of meetings for 2009/10

Noted: meeting dates for the remainder of the academic year:

- 5 March 2010
- 14 May 2010 – *new date*
- 2 July 2010

There being no further business, the meeting closed at 2.26pm.