



## Financial Recovery Board

### Agenda

27 January 2015

1. **Election of Chair and apologies for absence** 5.30
2. **Declarations of interest** 5.35
3. **Minutes of the meeting held on 2 December 2014**  
Minutes attached
4. **Matters arising**
5. **Development of organisational review** 5.40  
Presentation  
Ian Rule  
FOR DISCUSSION
6. **Performance and funding report to 30 November 2014** 6.20  
Report attached  
Jenny Pharo  
FOR INFORMATION
7. **Finance report to 30 November 2014** 6.35  
Report attached  
Nanda Ratnavel  
FOR INFORMATION
8. **Estates strategy update** 6.50  
Report attached  
Stephen Lawes  
FOR INFORMATION
9. **Committee risk register** 7.00  
Report attached  
Ian Rule  
FOR DISCUSSION
10. **Any other urgent business** 7.10
11. **Date of next meeting**  
10 March 2015



## Financial Recovery Board

### Minutes of the meeting held on 27 January 2015

#### **Present:**

Chris Bilsland (Chair)  
Nigel Peet  
Ioan Morgan

#### **In Attendance:**

Stephen Lawes  
Jenny Pharo  
Nanda Ratnavel  
Ian Rule  
Steve Hutchinson (advisor)  
Frances Butler (minutes)

#### **1. Election of Chair and Apologies for Absence**

The Committee agreed to recommend to the Corporation that Chris Bilsland be appointed Chair of the Committee on an interim basis.

Apologies were received from Marlene Oates-Hinds and Batiste Ogier

#### **2. Declarations of Interest**

There were no declarations of interest

#### **3. Minutes of the meeting held on 2 December 2014**

The minutes were approved as a true record of the meeting.

#### **4. Matters Arising**

The cash flow and three-year plan would be picked up in the meeting.  
The Clerk has been added to the authorisation list in the Financial Regulations.

#### **5. Development of Organisational Review (CONFIDENTIAL ITEM)**

#### **6. Performance and Funding Report to 31 December 2014**

The report was delivered by the Director of MIS who highlighted the three main income categories:

- Educational Funding Agency – Young People
- Skills Funding Agency – Adults
- Other – including HE, 14-16 Local Authority and Full Cost

**EFA:** Draft allocation for 2015/16 had been received:funded learner numbers would be 2,236. This would mean a reduction in EFA funding of c. £2.7m.

**SFA:** Main focus was on adult skills budget where there is some risk in terms of apprenticeship profile, NVQs in the work place and JCP provision. The College is currently aware that it may receive a Notice of Concern based on the low success rates for apprenticeships . This could mean that we cannot start new apprentices after 1 March 2015. An appeal against this decision is being made. The Advisor asked what the income impact this could have and The Director of MIS replied around £1.5m next year. The Interim CEO said that it was in no-one's interest not to have a provider in this part of South London and, having had a conversation with Jill Lowery of the SFA, was optimistic.

A notice of concern will impact on the Curriculum Strategy and stop us demonstrating what we have already fixed. The Interim CEO felt that the FE Commissioner may have the view that we need a collaborative approach to apprenticeships in SE London.

Myrrh, one of the sub-contractors has gone into administration leaving approximately 85 learners still in learning. IR reported that payment was being withheld until we have established the complete position.

HE was 17% down on the budget. This is hopefully an area of growth in the future. The Interim CEO said the area lacked focus and an identified leader in the College. The recent HE Review had been promising and given a good platform for growth. A Governor identified this as an important area for Marketing.

## **7. Finance Report to 30 November 2014 and 31 December 2014**

The report was presented by the Director of Finance.

The Chair asked why there was such a big movement in the forecast. The Director of Finance said that Month 5 showed an improvement in the forecast from £4.7 deficit to £2.9 deficit at end of December 2014 because of income improvements, with additional enrolments and the additional starts are predicted in the forecast.

In non-pay a 15% reduction in budgets, which will be taken out and put into contingency. Non pay spend down from nearly £12m in November to under £11m in the latest forecast.

In pay where there have been unavoidable cost pressures in the pay budget we have vired money out of contingency to offset some of this.

The Advisor asked The Director of Finance to expand on what the process would be to achieve the assumed in year savings. The Director of Finance referred to the 15% cut in all non-pay budgets and this would be enforced across the College. He was confident that this would result in £0.5m saving.

Cash forecast shows £1m pay savings at end of July 2016 but only allows for £1m restructuring cost. Cash Flow forecast appears to have £3.5m in it – creditors are understated so it is short by £2.5m in the forecast. The Vice

Principal Corporate Services said the College could borrowing or reduce capital spend.

The Director of Finance confirmed that the claw back from Adult Skills 15/16 of £2.9m payable this term was reflected in the 15/16 cash flow. The Advisor asked that in future this claw back line be shown separately on the cash flow projections as it is such a significant figure (ACTION 5).

The Chair expressed concern about the additional £2.5m cash outflow for down-sizing. There is a need to consider capital spending profile to see what could be deferred or delayed. With £40m capital project costs, The Chair felt that £5m/6m could be delayed.

The Vice Principal Corporate Services felt that while there was a need to look at radical ideas. There was not much of an appetite to shut down Camberwell or Deptford. The Unions are very focussed on Camberwell but the Board must be prepared to consider stepping back from previous commitments.

In designing the curriculum the team need to consider Travel to Learn patterns and how they affect delivery locations.

The Board agreed:

- (i) The Estates Strategy Project Board would be asked to look at possibility of capital expenditure deferrals and consider £2.5m, £5m, £7m figures and the consequences (ACTION 7).
- (ii) To continue with the freeze on vacancies (ACTION 8).
- (iii) Prepare a paper for the Committee on Procurement (ACTION 9)

The Chair congratulated the staff on the positive direction of the latest forecasts.

## **8. Estates Strategy Update**

The report was an update on the progress with the Estates Strategy work. However, as a number of governors were unfamiliar with the strategy, The Vice Principal Estates Strategy provided background.

At the time of the acquisition of Southwark College in 2012 the College was clear to all stakeholders that a rationalisation of the Estate would be required as there was poor utilisation of all five campuses, and there was a £5m debt to be repaid to the SFA.

A full appraisal was carried out and Governors agreed a strategy whereby the College would reduce from 5 campuses to 2, one in each of the London Boroughs of Southwark and Lewisham. These two would be new buildings, as none of the existing buildings met the standards required in the 21<sup>st</sup> Century. It was agreed that the two new college buildings would be funded by sale of land and that the College should be debt free at the end of the process – unlike most neighbouring colleges.

A Governors' Project Board was formed to oversee the implementation of the Strategy and this, in the view of the Vice Principal Estates Strategy, has worked

well. The process started with the sale of Bermondsey in July 2013 for £23.5m out of which £5m was repaid to the SFA.

This provided the first block of funding for the redevelopment of the Waterloo site in The Cut.

Phase 1 is moving towards completion, this was likely to be March 2015.

Work has started on Phase 2 – demolition mainly and piling will begin soon. The programme is due to complete at the end of April 2016.

The contract is a Design and Build contract and the design work is progressing to timetable – but a number of changes have been requested by Curriculum management – which impose some risks on the design programme and the overall costs.

The most significant of these is a request for Science Labs. This was considered at the ESPB in December. There appears to be a good investment case and this could be funded out of the Client Contingency budget. There is also an interesting proposal around reintroducing Fashion

Southwark Council no longer want to partner with the College on a new project in Peckham.

Paragraph 6 of the report introduced the discussion that the ESPB needs to have about the master planning for a single hub in Lewisham.

The Preliminary valuation work relating to Lewisham sites sets out values of the parcels of land at Deptford and Lewisham Way – as a precursor to an options analysis.

While the College needs to do more detailed work, the Deptford Ken Langley site is best suited for the new college building – with two significant frontages onto the A2 and Church Street and is also adjacent to the DLR station. Potentially there could be a development agreement where a developer builds the new college and then on completion of the College takes the rest of the land for residential development.

Of course there remain key curriculum decisions such space hungry sport and construction. Sport could be much better sited in Crystal Palace and Construction perhaps in an industrial unit on the A2. These and other ideas need to be debated in the months ahead so that a clear specification for the second college hub can be developed.

It is hoped that the ESPB will find time to examine these ideas carefully in due course.

The Chair said that in respect of the £250k for the Science Lab, time was needed to digest this and for an offline discussion with governors. The Chair was

concerned that with such a major project as Waterloo, a freeze should be put on the design as otherwise the contractors could put more claims against the College.

A Governor asked what the drop dead date for the project was. SL replied that there was some uncertainty as Balfour Beatty were tactical about programme and design costs but the date was very close.

It was agreed that the Chair would consult with members about the science provision and respond with a decision to the Vice Principal Estates Strategy. [POST MEETING NOTE: The Chair consulted the other members and approval was given to the Vice Principal Estates Strategy on 30 January 2015.]

The Chair and Interim CEO have a meeting with Southwark Council's CEO to discuss in-borough provision and to try to ascertain more information around the Peckham site. A similar meeting was being sought with Lewisham Borough.

### 9. Committee Risk Register

IR reported that following a conversation with The Chair, the Risk Register would be reformatted.

Overarching risk is the extent of cost savings needed.

The Chair said that at Governor level only the strategic risks were required.

### 10. Any Other Business

There was no other business

### 11. Date of next meeting : 10 March 2015

#### Action sheet

Meeting date	Action no	Action	Officer responsible	Status
27 January 2015	1	the Advisor would look at the Curriculum Plan as well as the integration process	IR/SH	
	2	New Head of HR to project manage the organisation review	IR/JI	Ongoing
	3	Ratio of support staff to teaching staff to be circulated following the meeting	IR	
	4	Organisation review presentation and a PID to go to the Corporation Board on 10 February	IR	Complete

	5	SFA clawback line to be shown separately in the cashflow	IR	
	6	Curriculum team to identify travel to learn patters and consider delivery locations accordingly	JLo/RR	
	7	The Estates Strategy Project Board would be asked to look at possibility of capital expenditure deferrals and consider £2.5m, £5m, £7m figures and the consequences	SL/NP	Complete on agenda
	8	To continue with the freeze on vacancies	IM/JLo	
	9	Prepare a paper for the Committee on Procurement	IR	On agenda for 16 June