



Financial Recovery Board

Agenda

10 March 2015

1. **Apologies for absence** **5.30**
2. **Declarations of interest** **5.35**
3. **Minutes of the meeting held on 27 January 2015**
Minutes attached
4. **Matters arising**
5. **Progress on organisational review** **5.40**
Report to follow
Ian Rule
FOR DISCUSSION
6. **Performance and funding report to 31 January 2015** **6.20**
Report attached
Jenny Pharo
FOR INFORMATION
7. **Finance report to 31 January 2015** **6.35**
Report attached
Ian Rule
FOR INFORMATION
8. **Financial report on apprenticeship income** **6.50**
Report to follow
Ian Rule
FOR INFORMATION
9. **Capital cash flows (CONFIDENTIAL ITEM)** **7.00**
Options for improvement
Report attached
Stephen Lawes
FOR RECOMMENDATION TO THE BOARD
10. **Committee risk register** **7.10**
Report attached
Ian Rule
FOR DISCUSSION
11. **Any other urgent business** **7.20**
12. **Date of next meeting**
5 May 2015



Financial Recovery Board

Minutes of the meeting held on 10 March 2015

Present:

Chris Bilsland (Chair)
Jo Lomax
Nigel Peet

In Attendance:

Allison Howe (Clerk)
Jean Inker (Items 1-5)
Stephen Lawes
Jenny Pharo
Ian Rule

1. Apologies for Absence

Apologies were received from Marlene Oates-Hinds and Batiste Ogier. It was proposed that the Clerk write to Batiste Ogier

2. Declarations of Interest

There were no declarations of interest

3. Minutes of the meeting held on 27 January 2015

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

4. Matters Arising

The Clerk updated the Financial Recovery Board on the actions

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 | Ongoing. Time to be given to meeting with SH/JP |
| | 2 | New Head of HR to project manage the organisation review | IR/JI | Ongoing. Jean Inker was welcomed to the meeting |
| | 3 | Ratio of support staff to teaching staff to be circulated following the meeting | IR | 250 teaching staff and curriculum managers. 320 |

| | | | | |
|--|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|--------------------------------------------------------------------------------------------|
| | | | | non curriculum staff. |
| | 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 | Physical cash will be reconciled to the bank balance. |
| | 6 | Curriculum team to identify travel to learn patterns and consider delivery locations accordingly | JLo/RR | EMSI providing the data and marketing are working with Vector to find out travel patterns. |
| | 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 | Ongoing |
| | 9 | Prepare a paper for the Committee on Procurement | IR | On agenda for 16 June |

5. Progress on Organisational Review

The Interim Director, HR, Jean Inker, presented the report. The Interim Director, HR highlighted that preparatory work was ongoing. Redundancies and reduction in working hours was being considered as were interims and agency staff. Managers were preparing case for change reports, and events to support staff were being planned. A draft timetable was included in the report.

The Chair stated the timeline was impressive, however there was a need to reconcile the organisational review with the curriculum strategy and align the views of the Principal designate to the process.

The unions had requested a delay to consultations with staff until after Easter. The Interim Director, HR stated that this might be possible, and would be considered (ACTION 1). The Chair reminded the Interim Director, HR that there was a need for the steering group to be comfortable with the process. The postponement could be advantageous to the College. The Interim Director, HR stated that she would look for areas where time could be made up later in the process to catch up. The Chair stated that while there was a financial imperative, the major imperative was closure before the Summer recess.

The Vice Principal Corporate Services stated that financial targets were for some targets to be achieved in this financial year. The cost of delay was £500k per month.

The Principal Designate would be attending the College later this week and would input into the OR. The curriculum plan was going to the Quality Recovery Board next week, however the curriculum strategy was being delayed as there was a need to wait for travel patterns from Vector.

The Financial Recovery Board noted the content of the report.

6. Performance and Funding Report to 31 January 2015

The report was delivered by the Director of MIS who highlighted the three main income categories at period 6:

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

Governors asked for the comparison since the last report. EFA learner numbers had increased by 33, the period 7 figures saw a further increase to 2169.

As anticipated in the previous period report, full year forecasts in income streams that comprise the Adult Skills Budget (ASB) had been re-profiled and reviewed at the half year point. Reduced demand and increased withdrawal rates across both classroom and workplace provision had resulted in a reduction to ASB full year forecasts by £450k.

A slight reduction in other income streams had resulted in a reduced overall full year forecast of £36,408 against a full year budget of £36,200k. While there had been some recruitment in February, recruitment had not been to expected volumes. As a result some Foundation Studies groups were being merged. Under recruitment had been a recurring issue over the previous two years. In the previous year, decreased value courses were delivered. This year there was only 50% of expected starters. ESOL had a waiting list, and there was work ongoing to ensure courses were as full as possible.

There had been a decrease in the apprenticeship contract, and a further decline was expected in Period 7 which would reduce the income by a further £150k. There was a concern that the budget figure would not be achieved.

There was a shortfall in the JCP area where students were referred to the College by the JobCentre. Again there might be a need to reduce the forecast further.

The outfall from Myrrh going into administration was still unclear. There had been a break in learning of all the students. Only 24 out of 70 learners attended an open day held at the college. This could have an impact of £200k. The Learning Curve contract had increased the contract by £200k, which would mitigate against losses caused by the loss of Myrrh students.

Previously, the College had been able to build income through sub-contracting. However, the Grade 4 would prevent the College sub-contracting.

A Governor asked what was being done now to improve things for next year. A new website was about to be launched, a number of open days were being planned, in addition to the number that had been held already, and well attended.

The Vice Principal Corporate Services stated there was a need to engage the whole College in marketing with the Marketing Department spearheading and organising events.

Governors present were concerned about the College's seeming inability to forecast. There was too much optimism in the system. When targets had been looked at in MOT meetings, it was revealed that the target figures had been inflated by 20%, although this was not the figure used for budgeting.

Specific programmes were laid on for adult learners in year. There was waiting lists for ESOL non English speakers at Lewisham Way. Adult Basic Skills courses at other sites were not recruiting. This was exacerbated by the shortage of English and maths teachers.

It was agreed that a marketing and recruitment briefing would be provided for next meeting and Head of Marketing to be invited (ACTION 2). There was a need to market more aggressively and chase the money. There was a need to grow 24+ loans and adult apprenticeships.

The Vice Principal Estates Strategy informed the meeting that application numbers of 16-18s are 50% compared to last year, however it was not known how accurately data had been reported during the previous year. Management level application reports would be provided on the data dashboard (ACTION 3).

The Financial Recovery Board were of the view that this was a time to be bullish. The Vice Principal Corporate Services informed the Board that the application process and keeping warm activities were being reviewed to ensure the process is sharpened up. It was noted that there had been a diminishing Southwark learner who had not come from Southwark to Lewisham. The raising of the participation age (RPA) had meant that learners naturally looked to staying at school rather than going to College.

A Governor stated that there was a need to market Waterloo to 14-16 year olds now (ACTION 4). It was noted that there had not been a marketing director since May 2014.

There was a need for current students to be ambassadors to the College. There was a need to engage with schools on vocational education being a positive choice.

Report to compare current position against last reported position.

The Financial Recovery Board noted the content of the report.

7. Finance Report to 31 January 2015

the Vice Principal Corporate Services presented the College's financial position after six months of the year. £500k income had been lost.

The net operating surplus at 31 January was £1,251k against a budgeted deficit of £948k. Income was over budget by £2,365k. The full year forecast was to fall short of budget by £126k. Current over expenditure on pay of £165k was largely due to the use of freelance assessors and visiting teachers. The forecast was for the overspend to remain at £162k. Non pay was currently £27k overspent and the forecast was to underspend by £948k following the 15% reduction to non pay budgets. The forecast anticipated none of the contingency budget being used; though most departmental budget holders have identified cost reductions, further savings have still to be found with prudent forecasts reported against individual budgets. Given the scale of restructuring required this year, against a budget of £1,000k, reorganisation costs are forecast to be £3,500k.

The forecast deficit at 31 July 2015 before demolition costs and proceeds from disposals is £6,084k against a budgeted deficit of £4,275k. This was worse than that projected at month 5 due to the adverse changes to the forecasts for income and reorganisation. Within that, the forecast operating deficit is £2,584k against a budget of £3,275k. The cashflow projection reflected the worsening income forecast, the increased costs of reorganisation, receipts from land sales, the advance payment bond relating to the Waterloo redevelopment and the timing effect of delays being experienced on the project.

At 31 January 2015, the cash balance was £13.1m and forecast to be £18.5m at 31 July 2015. By March 2015, the cash balance was forecast to fall to £8.5m and although it then increases after land sales, it was predicted to fall to a £700k deficit by July 2016.

The Vice Principal Corporate Services stated that his biggest concern was that the organisational review was not being implemented. There were issues with Visiting Teachers and the cost base of Work Based Learning which was bringing down contribution levels of apprenticeships.

The changes were £500k shortage of income plus an additional £2.5m reorganisation costs. There were 12 months of cash before it became a concern.

The 15% non pay reduction had been challenging and was not possible to achieve in all areas such as IT and Facilities. While there was a will on the part of staff to achieve savings, it had not been possible to achieve all targets.

Income figures were likely to reduce further, and the restructuring costs were an estimate, so might also be likely to increase.

Again, the Chair asked for a simple narrative about the changes in reporting the current financial position against the previous situation. It had not been possible for him to ascertain whether the College was in a stable financial position.

The Financial Recovery Board noted the content of the report.

8. Financial report on apprenticeship income

The report was presented by the Principal. The report had been written on the basis that there would not be an apprenticeship contract this year. Negotiations had been ongoing with the SFA to discuss a reduced apprenticeship contract, this had yet to be confirmed.

Other Grade 4 Colleges didn't have the contract withdrawn. There would probably be a reduced contract for 16-18 apprenticeships. There would also probably be a reduced adult contract. There was a need for a contract value of £1m to achieve the current contract.

The College would be blocked on growth for adults, however there was a possibility of over recruitment. With all political parties being pro apprenticeships, if we over recruit on 16-18 apprentices, it was unlikely they would not be funded.

It was anticipated that there would be a £1.4m contract. This year, the College had been paying for delivery of unfunded learners to catch up on last year. The College had removed 1400 apprentices who were not compliant with apprenticeship rules, which had led to the non achievement of minimum levels of practice.

The College was arguing for retention of apprenticeships in construction, business and hospitality as well as some in creative.

When the issues in the previous year materialised, £2m was wiped from the forecast immediately. This was still impacting this year.

If there was an outturn of £1.35m this year, that would be the value of the contract next year. If £1m was spent on completing existing apprentices, the remainder would be spent on new starts.

The Chair asked what the costs of apprenticeships was to the College. Assessor costs had historically been high. Changes had been made to the assessment process, which had improved the margins. It would, however, be more efficient to work on fewer apprenticeship areas.

There was now a proper business model in place which was being closely monitored. Most assessors were now employed by the College on a salary. All bonuses had been removed.

The Financial Recovery Board noted the content of the report.

9. Capital cash flows (confidential item)

The report was presented by the Vice Principal Estates Strategy who informed the Financial Recovery Board that a number of capital raising options had been

discussed at the Estates Strategy Project Board meeting held on 19 February 2015.

The preferred order of the ESPB was

- a) Cutting back “routine” capital expenditure (by perhaps £0.5m p.a. for three years)
- b) Sale of Camberwell (for c. £5m and also saving operating deficit of c. £0.25m p.a.)
- c) Sale of Lewisham Way car park (for c. £2.25m)
- d) Sale of one part of Deptford (for c. £15 m)
- e) Reducing or delaying the cash outflows relating to the Waterloo redevelopment (potentially increasing the overall cost of redevelopment).

The Chair of the ESPB explained that each of the options had been discussed in detail. It was noted that there had been a commitment to keeping Camberwell open however the current circumstances faced by the College required a move from that position. The site ran at an operating deficit and the under recruitment at Camberwell exacerbated the deficit.

The Chair stated that he felt that the Board was not ready to take a decision to the Corporation at the current time. There was a need for a discussion with the Borough, and to work on other options. The Borough had an adult learning centre which could provide an alternative location for the provision. There was also an organisation called Thames Reach, a homeless charity, who had facilities that could be used.

It was agreed that the ESPB would work up the options for alternative provision (ACTION 5).

It was time critical that if there was a summer 2015 closure there was a need to manage any redundancies at the earliest opportunity. Summer 2016 closure provided an option but would not meet the critical cash timeline.

The Chair stated that he wanted the staff car park reconsidered. Travel to work in London should be by public transport. There was a political issue, with the Brockley Society who were politically quite powerful in the Borough. There would be a concern about the amount of on-street parking required without the car park. There was a discussion about the marriage value between the carpark and the main Lewisham Way site. The staff car park would be looked at at a later time.

10. Committee Risk Register

The Vice Principal Corporate Services explained that the risk register had been circulated without the financial recovery risk management plan which would be circulated after the meeting (ACTION 6).

The Audit Committee had asked the Committees to consider whether risk was being managed appropriately.

The Chair stated there was a need for Governors to focus on the strategic risks about making savings, ensuring the income side and improving the quality of provision to satisfy Ofsted.

The Vice Principal Estates Strategy stated that there were risks about rebuilding the Senior Management team and the next tier following reorganisation which fell to the Quality Recovery Board.

11. Any Other Business

The Vice Principal Estates Strategy reported that the Advanced Payment Bond had been provided by Aviva to support the payments to Balfour Beattie to ensure that the £6.2m payment to Balfour Beatty to meet the SFA funding requirements.

Publication of the Ofsted report must happen internally. It was agreed that the statement should be published on the external website with a link to the report, both of which should be easy to find (ACTION 7).

12. Date of next meeting : 5 May 2015

Action sheet

| Meeting date | Action no | Action | Officer responsible | Status |
|-----------------|-----------|-------------------------------------------------------------------------------------------------|---------------------|-----------------------|
| 27 January 2015 | 9 | Prepare a paper for the Committee on Procurement | IR | On agenda for 16 June |
| 10 March 2015 | 1 | Agree to the Unions request to delay the launch of the Organisational Review until after Easter | JL/JI | Complete |
| 10 March 2015 | 2 | A marketing and recruitment briefing to be provided to the next meeting | IR/SF | On agenda |
| 10 March 2015 | 3 | Management level application data to be provided on dashboard | IR/JP | |
| 10 March 2015 | 4 | Marketing of Waterloo to 14-16 year olds to commence | IR/SF | |
| 10 March 2015 | 5 | ESPB to work up alternative options to Camberwell provision | SL | Complete |
| 10 March 2015 | 6 | Risk management plan on Financial Recovery Risk to | AH | Complete |

| | | | | |
|---------------------|---|-------------------------------------------------------------------------------|-------|----------|
| | | be circulated after the meeting | | |
| 10 March 2015 | 7 | College statement on Ofsted report and link to report to be placed on website | IR/SF | Complete |