

ENFIELD COLLEGE
BOARD OF GOVERNORS

COMMITTEE	FINANCE AND GENERAL PURPOSES
Date of meeting	Thursday 19 March 2009
MINUTES	PART 1

MEMBERS

Mr S Alexander, Miss J Carter, Mr K Harmsworth, Ms M Hayward*, Ms D Johns, Mr P White (Chairman), Mr S Wright+

(* denotes absence)

(+ Governor Wright joined the meeting after Minute Number 6.5/2009)

In attendance

Mr P Brady (Director of Human Resources)
Ms C Grant (Director of Finance and Estates)
Mr S Jakubowski (Vice Principal)
Mr A Jeffery (Clerk to the Board of Governors)
Mr M Sableski (Director of Planning and Information)

F/1/2009 APOLOGIES FOR ABSENCE

- 1.1 There were no apologies for absence.
- 1.2 Apologies for lateness were received from Governor Wright.

F/2/2009 DECLARATION OF RELEVANT INTERESTS

- 2.1 Governor Johns declared a relevant interest as a member of the union UNISON.

F/3/2009 MINUTES

Part 1 of the Minutes of the meeting held on 26 November 2008 were confirmed and signed by the Chairman as a correct record.

F/4/2009 MONITORING ACTIONS FROM PART 1 OF THE FINANCE AND GENERAL PURPOSES COMMITTEE MEETING HELD ON 26 NOVEMBER 2008

RECEIVED report number F380-19.3.2009 from the Clerk to the Board of Governors.

NOTED:

4.1 All items had either been completed or were on going.

F/5/2009 MATTERS ARISING FROM THE MINUTES

There were no matters arising from the minutes.

F/6/2009 COLLEGE PERFORMANCE REPORT

RECEIVED report number F381-19.3.2009 from the Director of Planning and Information.

NOTED:

Headline Performance Targets 2007/2008

6.1 Funding - The College achieved 98.1% of its FE funding allocation and was not subject to clawback on its main FE allocation.

6.2 Success Rates - The College's overall aggregate success rate was 76% which is 1% above current national average, although the national average is likely to increase during the next year.

Headline Performance Targets 2008/2009

6.3 Adult Learner Responsive (ALR) funding is currently within tolerance levels of under and over performance. The College is likely to achieve its target learner numbers and funding aims for this cohort.

6.4 16-18 Learner Responsive funding is expected to show a shortfall in funding terms by year end. Although the College is likely to meet learner number targets, a lower than planned SLN value will generate a shortfall against LSC funding allocation; current projections place this shortfall in the region of £400,000. The College is taking action to reduce this deficit, and it expects that final outturn will show a deficit in the range £200,000 - £250,000.

6.5 The shortfall in 16-18 recruitment in one year impacts adversely upon next year's budget. It was noted that this is an issue for many North London colleges and is a reflection of increased competition from schools.

6.6 The College has received an initial 2009/2010 allocation figure for 16-18 Learner Responsive provision. Neither Adult Learner Responsive nor Employer Responsive allocations had yet been made.

- 6.7 It was noted that, from 2010, the allocations for 16-18 will be made via the local education authority as they will be the commissions agency. Governors expressed concern about the local authority's capacity and expertise to carry out this function.

F/7/2009 MANAGEMENT ACCOUNTS TO 31 JANUARY 2009

RECEIVED report number F387-19.3.2009 from the Director of Finance and Estates.

NOTED:

- 7.1 The report considered by the Committee provided information on the financial performance of the College for the six months to 31 January 2009.
- 7.2 The management accounts show an operating deficit of £48,000 for the six months to 31 January 2009, compared to a budgeted surplus of £45,000.
- 7.3 The deficit reflects the costs associated with merger and property, which were not budgeted for and which will substantially occur in the second half of 2008/2009.
- 7.4 The full year forecast to July 2009 estimates a deficit of £904,000 of which property and merger costs represent £425,000.
- 7.5 The forecast deficit has dropped slightly, however, property costs have increased and this has mitigated action at operational level to reduce the deficit to date.
- 7.6 In response to Governors' questions about whether the deficit had been anticipated, it was explained that in October 2008, it appeared that additional costs could be absorbed given the pattern of actual income and expenditure being generated at that time. Governors had agreed to proceed with the property strategy and the associated fee costs and these have now impacted upon the revenue account. The College has also suffered from a fall in investment income. The budget was set with the assumption that the College would save £383,000 on staffing costs in year. This assumption has proved incorrect given the actual outturn of staff absences and turnover in 2008/2009.
- 7.7 A review of staffing levels has been conducted in order to reduce staffing costs, although the benefits from this will not materialise until next year.

F/8/2009 2009/2010 DRAFT BUDGET AND FINANCIAL RECOVERY ISSUES

RECEIVED report number F388-19.3.2009 from the Director of Finance and Estates.

NOTED:

- 8.1 The following documents were considered by the Committee:
- a) Annual Budget for 2009/2010

- b) Financial Recovery Issues
 - c) MacIntyre's Review of Enfield College's 2009/2010 draft budget on behalf of Conel.
- 8.2 The Financial Recovery Plan was considered by the Committee. It was noted that it is difficult to control costs within a financial year.
- 8.3 The management team has scrutinised individual budgets with an aim to reducing non-pay costs by £137,000.
- 8.4 Issues raised through working with Conel on joint financial planning for 2009/2010:
- a) There is a need to plan for a non-merged college.
 - b) Some of the techniques used by Conel to be adopted.
 - c) There has been on-going planning with Conel who has worked collaboratively with Enfield College on detailed budgets.
- 8.5 The overall predicted deficit is £581,000 for 2009/2010, though this could increase by agency costs of £90,000.
- 8.6 It was noted that income from Enterprise Services will not be sufficient to address the underlying budget deficit.
- 8.7 Since the budget 2008/2009 was established, VAT has been imposed on agency staffing costs which will impact in year as well as on the 2009/2010 budget.
- 8.8 It was noted that the College is predicted to have £2.6m in the bank with assets of £12m at 31 July 2010 despite the predicted deficit.
- 8.9 In response to Governors' questions about staff redundancies, it was reported that staffing levels are being reviewed across the organisation. The review began with administrative staff and unions have been part of the consultation process. Any requests for voluntary redundancy will be considered. The College is currently above the national LSC benchmark for the percentage of the budget being spent on staffing.
- 8.10 It was noted that, although the focus has been on saving costs, the College is also working on increasing income, especially through Train to Gain activities.

F/9/2009 NATIONAL FINANCIAL SITUATION AND COLLEGE BANKING ARRANGEMENTS

RECEIVED report number F386-19.3.2009 from the Director of Finance and Estates.

NOTED:

- 9.1 The banking sector across the world continues to require increasing levels of government support. Lloyds TSB Bank plc is now within government control and this should provide protection for the

College's assets. However, interest rates have fallen and the College's banking arrangements are insufficiently diverse to maximise its treasury management.

- 9.2 Within the above context, the Director of Finance and Estates has been authorised to explore and enter into additional banking arrangements, in order to diversify the cash risks faced by the College.
- 9.3 Discussions have taken place with Royal Bank of Scotland (RBS) and Barclays. RBS offered better general terms than Barclays.
- 9.4 Following liaison with the Chairman of the Board of Governors and Chairmen of the Audit and Finance and General Purposes Committees, College management is in the process of opening additional banking arrangements with RBS for treasury purposes only.

RESOLVED:

- 9.5 The Finance and General Purposes Committee recommends to the Board of Governors, that retrospective approval is given to the Director of Finance and Estates to establish banking arrangements with RBS plc.

F/10/2009

REPORT FROM THE DIRECTOR OF HUMAN RESOURCES

RECEIVED report number F385-19.3.2009 from the Director of Human Resources.

NOTED:

Staffing Update

- 10.1 The College is reviewing its staffing profile in-year as part of its financial recovery plan. Any savings made this year will have a positive impact on next year's budget.
- 10.2 The Heads of Agreement document has sub-sections relating to staffing. This will provide a framework to enable the two Colleges to manage staffing issues in the period between agreements and final merger.

Investors in People (IIP) Accreditation

- 10.3 The College holds IIP status for three years until the end of March 2009. The College has applied for re-accreditation and the assessment has been scheduled for week commencing 11 May 2009. The College is optimistic that it will achieve re-accreditation.

Forthcoming Legislation

- 10.4 With effect from 1 April 2009, the statutory annual leave entitlement will be increased from 24 days to 28 days. Statutory annual leave can include time off for bank and public holidays. The College is already compliant with these requirements.

- 10.5 The Government has confirmed its intention to extend the right to request flexible working to those parents with children up to the age of 16. The new right will come into force on 6 April 2009. The College will amend its current procedure to comply with this change.
- 10.6 Changes to the handling of discipline, dismissal and grievance issues will come into force on 6 April 2009. The College will need to review its procedures but already follows the Acas recommendations.

Re-approval of College Policy Statements

RESOLVED:

- 10.7 Following proposed minor amendments, the Finance and General Purposes Committee agreed the revised College policy statements on:
- a) Outside Working Hours (Outreach Work)
 - b) Health and Safety Procedures for Students with Learning Difficulties and/or Disabilities.

F/11/2009

MERGER UPDATE

The Board of Governors resolved that in accordance with the Confidentiality Policy approved by the Board:

- a) The report in Part 1 of the agenda papers regarding Merger Update should be moved to Part 2A of the agenda.
- b) That the minutes from Part 2A regarding the discussions on Merger Update should be transferred to Part 1 of the minutes. These are as follows:

RECEIVED report number F384 – 19.3.2009 from the Principal and Chief Executive.

NOTED:

- 11.1 Following the meetings of the Boards of Governors of Enfield College and Conel on 5 February 2009, a number of issues emerged.
- 11.2 Conel's Board of Governors raised issues about the projected deficit by Enfield College and made a caveat on Enfield's financial recovery plan, along with four requirements.
- 11.3 Conel's resolution was forwarded to Enfield College Board members, prior to consideration by the Audit and Finance and General Purposes Committees.
- 11.4 It was reported by the Chairman of the Board of Governors that at the Governors' Joint Steering Group meeting on 18 March 2009, both Boards confirmed they were committed to merger and wished to progress.

- 11.5 A draft agreement has been drawn up to cover the interim period for regulating material business/activities pre-merger (Heads of Agreement). This agreement had been considered by the Audit Committee and had been sent to the College's lawyers for advice. The College was reassured by their response.
- 11.6 In response to a Governor's question about Conel's response to the projected funding reductions for next year, it was noted that Conel has significant resources. Conel has £8.5m of cash reserves and has increased its commercial activity significantly.
- 11.7 Enfield College needs to make cost savings, irrespective of the merger proposals, in order to address the underlying budget difficulties. The College has shared the progress and outcomes of its financial recovery plan with Conel's Senior Management Team and engaged in joint financial planning.

F/12/2009 CAPITAL DEVELOPMENT

RECEIVED report number F383-19.3.2009 from the Principal and Chief Executive.

NOTED:

- 12.1 The College has been developing joint capital plans with Conel for the two Colleges' sites. In order to progress to Approval in Principle (AiP) stage, KSS had been appointed as architectural consultants, Davis Langdon as cost consultants and Turner and Townsend as project managers, subject to contract.
- 12.2 The consultants had provided a more detailed assessment of accommodation requirements which had led to an increase in the square metreage of build and a consequent increase in cost. The potential project cost for the two colleges is now estimated to be £163m. The Colleges are working with the consultants to reduce the overall project cost.
- 12.3 The national picture is volatile with a moratorium on expenditure announced by the LSC at the end of December 2008. DIUS is undertaking a review of management of the national building programme; being carried out by Sir Andrew Foster. There is no guarantee that colleges will be reimbursed for the cost of professional fees that they have already paid as projects may not be approved.
- 12.4 Enfield College has identified the amount of professional costs that would be incurred up to AiP approval stage. The College is attempting to limit risk and has been in discussion with Conel about how to manage risk. Both colleges will be meeting with the LSC to discuss progress and to present the options from KSS. The outcome of the meeting will be reported back to the Board at the meeting on 2 April 2009.
- 12.5 The cost model has changed during the past 9 months and there is now pressure from the LSC to reduce costs in the next year.

- 12.6 If the merger does not progress Governors will need to revisit the Property Strategy and prioritise key aspects of the programme into phases.
- 12.7 The College is seeking to limit its financial risk under its capital programme. Governors agreed that the AiP proposal should be progressed, otherwise the College could miss an opportunity to proceed with the project after the moratorium has ceased and criteria for project approval are finalised. The overall advice of Governors was to 'proceed with caution'.

F/13/2009 DATE OF NEXT MEETING

Wednesday 24 June 2009 at 6.00 pm

CHAIRMAN Date