



Minutes Finance, Planning and Resources Committee

(All resolutions passed were the unanimous decision of the Finance, Planning and Resources Committee members present unless otherwise stated)

Meeting Title	Finance, Planning and Resources Committee by Skype conference call		
Date	28 April 2020		
Members	Mr N. Ratnavel	Chair	
	Dr J. Brumwell		
	Mr D. Cheema		
	Mr R. Foulston		
	Mr T. Monger-Godfrey		
	Mr P. Mayhew-Smith	Group Principal / CEO	
In Attendance	Ms. R. Devan	-	Director of Finance
	Mr R Greenaway	-	Deputy CEO, Finance and Resources
	Mr J. Pemberton-Billing	-	Principal, Carshalton and Merton Colleges
	Mr A. Slade	-	Principal, South Thames College
	Mr M. Tweedale	-	Principal, Kingston College
	Mrs H Meredith	-	Head of Governance
Key Meeting Outcomes			
1.	APOLOGIES		
1.1	There were no apologies as all members were present.		
1.2	DECLARATION OF INTEREST		
	Members confirmed that they did not have any new pecuniary or other interest in any item on the agenda other than interests which have previously been declared.		
2.	MINUTES OF LAST MEETING OF 17 MARCH 2020 (COMBINED WITH ESTATES SUB-COMMITTEE) AND MATTERS ARISING		
2.1	<u>Accuracy.</u> The minutes were accepted as an accurate record to be signed by the chair.		
2.2	<u>Matters arising</u> Items not covered by other Agenda items have been carried forward to the Action List at the end of these minutes.		
2.3	It was resolved to note the minutes.		
3.	MANAGEMENT ACCOUNTS MARCH 2020		
3.1	The March management accounts, prepared on the assumption that the Group will continue teaching until the end of the academic year, were presented by the Finance Director. The Committee noted however, that the College closure and social isolation may significantly impact the Group's ability to achieve these forecasts. The management accounts also included a new section on sensitivity/Covid-19 impact analysis. The Finance Director started with the headline key financial performance indicators without Covid-19 impact which indicated:		
3.2	<p>Forecast EBITDA as a % of income for the year within 0.3% (less) of budgeted EBITDA % Contingency of £700k is being retained for risks that remain within the current forecast.</p> <p>Risks The forecast indicates that the College will remain within the bank's loan covenants. However the impact of College closures due to Covid-19 on income and cashflow may be significant</p> <p>Borrowing as a % of income (assuming repayment of £2.4m during 2019/20) 18.13%. Governors questioned whether the Group should be repaying loans following the impact of the pandemic and the Finance Director answered this point under discussion of the Covid-19 sensitivity analysis – see below.</p>		

ESFA Annual Health Assessment is Outstanding but the Group moderated this to 'Good').

3.3 The detailed sensitivity / impact analysis setting out the impact of the college closure on key income streams and expenditure was reviewed by the committee which noted the following:

3.4 **Adult Education Budget (AEB)** –funded from two sources – the ESFA (£2.1m) and the GLA (£10m). There had been very positive messages from the ESFA but although messages from the GLA have been encouraging they may need further conversations with the Group.

3.5 **Sub-contracted delivery**
The March forecast is based on franchising £2,106k of AEB funding to partners. However, only two contracts (one for £800k and one for £100k) had been granted. Governors suggested asking whether those partners have capacity to deliver more and the Deputy CEO confirmed that the Group is re-negotiating with those partners able to offer on-line delivery.

3.6 **Apprentices lose employment or are unable to complete on planned end date**

3.7 **Catering contractor costs**
The catering contract was forecast to be cost neutral but during closure the Group will bear the cost of providing catering to students attending Merton College as well as an element of the caterer's staff costs(£33k per month.)

3.8 **Restructuring costs**
If colleges remain closed, the Group is unlikely to undertake an institutional review this year. Costs associated with any voluntary redundancies could be in the range £250k -£500k.

3.9 **Interest payable**
The Group's agreement with Pulse Fitness (sports facility provider at Carshalton) commits the Group to meeting its monthly interest payment (c£25k) if it fails to generate sufficient income.

3.10 **Impact on Cashflow**
Some capital projects have had to cease and continuing contractors have indicated that there will be additional costs. The interruption to Wandsworth site separation and decant works may result in a delay in handover of the property and timing differences on cashflow as the second tranche of disposal proceeds may not be paid until 2020/21. The cashflow impact of additional capital costs in 2020-21 could be £250k.

3.11 **Impact on EBITDA**
Members noted that if all the worst case changes arise the impact on EBITDA for 2019-20 could be £2.4m. The impact of the pandemic on EBITDA for 2020-21 could be £1m.

3.12 **Impact on bank-covenants**
The Finance Director explained the possible impact on the bank covenants, in particular the operational leverage covenant requiring that the Group's ratio of borrowings to 'adjusted operating surplus' does not exceed 3.5: 1. Members noted that in the worst case scenario, the Group will be in breach of the operational leverage covenant whether or not the Group makes a capital repayment of £2.4m. The DCEO advised that the Group has been in discussion with the Bank regarding the risks. The Bank has been very supportive indicating that it will take a sympathetic view of covenant breaches caused by Covid-19 where organisations were on track to meet their covenants before the pandemic.

3.13 The Finance Director took questions from governors including:

- Whether it is sensible to repay the proposed £2.4m loan capital in an environment where borrowing funds may be a challenge. The Finance Director confirmed that the Group will need to reduce the loan balance (by making a repayment) in order to reduce the risk of breaching loan covenants this year and in future. The Group is looking at the option of using a revolving credit facility rather than making an outright repayment, to preserve the ability to draw down funds again when required. The committee indicated its support for converting part of the loan to a revolving credit facility, if this is an option.

3.14	<ul style="list-style-type: none"> • Explaining that the impact analysis was based on college closure for the rest of the current financial year under the worst case scenario. • Whether a more significant reduction in HE should be factored into the forecasts for 2020/21 due to an impact on HE enrolments in the light of expected increased competition from universities? The group Principal and Principal, Kingston College advised that the Group's HE income is not dependent on international enrolments and this is the area which is expected to be affected. No specific impact has been identified in the management accounts for forecasts for the current year (as learning continues online) but further consideration may need to be given for the forecasts for 2020/21 as part of the planning process. <p>It was resolved: to note the management accounts.</p>
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4.	FINANCIAL UPDATE ARISING FROM COVID-19 COLLEGE CLOSURE
4.1	The Group Principal reported that the Group had set the goal to act ethically towards staff and students to give people as much confidence about their future as possible at present. Since the College closure as well as all the teaching provision, IT services, Finance, HR and Payroll are successfully operating remotely.
4.2	A voluntary redundancy scheme has been opened but the decision taken not to make any compulsory redundancies during the lockdown. The Group Principal reported on the generous financial support being received from government funding agencies as though the colleges are still open. Government guidance is that colleges should generally not furlough staff as this would in effect amount to double funding. The Group is only considering the furloughing of the nursery staff at Carshalton and the Group will make up the balance of 20% of the salary of any staff furloughed.
4.3	The Group Principal and College Principals reported that staff across the Group have been magnificent in their response to the crisis.
4.4	The Principal, South Thames College is working on setting up online enrolment for Adult provision and looking at setting up re-training courses for the unemployed such as safeguarding courses for those re-training into the care sector.
4.5	It was resolved to note this update

DfE GUIDANCE – published 17 April 2020
Governors received and noted DfE Guidance about financial support for education including with an article from FE week and commentary from Ben Wood of Eversheds confirming that colleges can furlough staff under the Job Retention Scheme.

Action points		Responsible	Deadline	Signed off
From this meeting or carried forward from previous meetings				
1	Tooting – DCEO to check and confirm unexpired term of the lease	DCEO	June 2020	
2	Tooting - Group to take advice on the time which might be needed for a change of use application and the alternative of letting to a capital service provider	DCEO	June 2020	
3	Director of HR to present further analysis of the outcomes of Wellbeing audit to the HSS Committee and Corporation.	DHR	June 2020	

Date of Next Meeting	<p>The next meeting will take place on Thursday 11 June 2020 at Merton College or by Skype starting at 6.30pm.</p> <p>The meeting closed at 6.45pm</p> <p>Signed:Date:.....</p>
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