

## 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)

<b>Meeting Title</b>	Finance, Planning and Resources Committee	
<b>Date</b>	17 March 2020	
<b>Members</b>	The meeting took place by Skype conference call	
	Mr N. Ratnavel	Chair
	Dr J. Brumwell	- only for the start of the meeting
	Mr D. Cheema	
	Mr R. Foulston	- only for the start of the meeting
	Mr T. Monger-Godfrey	
	Mr P. Mayhew-Smith	Group Principal / CEO
<b>In Attendance</b>	Ms. R. Devan	- Director of Finance
	Mr D. Fraser	- Director of Human Resources (for Items 6 and 7 only)
	Mr R Greenaway	- Deputy CEO, Finance and Resources
	Mr A. Slade	- Principal, South Thames College
	Mr M. Tweedale	- Principal, Kingston College
	Mrs H Meredith	- Head of Governance
<b>Key Meeting Outcomes</b>		
<b>1.</b>	<b>APOLOGIES</b>	
<b>1.1</b>	Apologies were received from the Principal, Carshalton and Merton Colleges, who normally attends meetings.	
<b>1.2</b>	<b>DECLARATION OF INTEREST</b> 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.	
	At very short notice the meeting was changed to be a remote meeting due to increasing concerns for the health and safety of members due to the Covid-19 virus. The plan was to hold the meeting either by conference call or Skype but technical issues only allowed the Skype method to work satisfactorily. As a result Mr Foulston and Dr Brumwell, who tried to join the meeting by conference call, left shortly after the start of the meeting as they were unable to hear or be heard by those attending by Skype.  The Head of Governance confirmed that the meeting remained quorate without them and throughout the meeting.	
<b>2.</b>	<b>MINUTES OF LAST MEETING OF 30 JANUARY 2020 (COMBINED WITH ESTATES SUB-COMMITTEE) AND MATTERS ARISING</b>	
<b>2.1</b>	<u>Accuracy.</u> The minutes were accepted as an accurate record to be signed by the chair.	
<b>2.2</b>	<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.	
<b>2.3</b>	It was <b>resolved</b> to note the minutes.	

<p>3.</p> <p>3.1</p> <p>3.2</p> <p>3.3</p> <p>3.4</p> <p>3.5</p> <p>3.6</p> <p>3.7</p> <p>3.8</p>	<p><b>MANAGEMENT ACCOUNTS JANUARY, FEBRUARY 2020</b></p> <p>The February management accounts were presented by the Finance Director who highlighted key changes.</p> <p>Members noted the position in relation to the Adult Education Budget (AEB) and the position this year in relation to clawback. In previous years the College retained the full allocation if it met 97% of the ESFA funding allocation for AEB. Funding changes this year mean that delivery for students living outside London will continue to be funded by ESFA but delivery in London has been devolved to the GLA. The Group's AEB funding is therefore monitored separately by the two different funding bodies this year for the first time. The management accounts set out changes to forecast – including both changes from the Group's delivery against plans and a downwards revision by ESFA of the funding required for learners carried over.</p> <p>Franchising costs for delivery of AEB have gone up by approximately £100k after the recent tendering exercise.</p> <p>The general contingency budget included £240k for the risk of AEB delivery shortfall. General contingency has been eliminated in full as a number of risks have materialised. However, a discount of £250k has been applied to the AEB forecast to recognise that contracts for partner delivery have been delayed and the forecast may not be achievable. A corresponding allowance of £200k has been allowed as a discount on forecast franchising costs.</p> <p>Despite introducing the risk allowance of £250k the Group is still forecasting to deliver 97.9% of the total allocation although the Group needs to achieve 97% of the allocation from each source (ESFA and GLA) to retain full funding. At the moment as there is insufficient confidence that the Group's own and franchised delivery will fall neatly into both and so only the full amount delivered has been reported and the remainder has been risk adjusted.</p> <p>The Group Principal also warned of risk that the impact of the Covid-19 virus making it highly unlikely that the Group will be able to realise the full AEB allocations. In response to questions from governors about the likelihood of the college needing to close and contingency planning in relation to the virus the Group Principal reported that the DfE 's position at the date was to keep schools and colleges open. However, the college was preparing for switching as much of its provision as possible to on-line delivery and a Special Corporation Meeting was being called at short notice for 19 March to update all governors on the Group's action plan.</p> <p>Members noted that forecast EBITDA for the year remains within £106k of the budgeted EBITDA. Members reviewed the detailed table of changes to income and expenditure forecasts noting that overall the change to forecast EBITDA was only £9k (improvement).</p> <p>It was <b>resolved</b>: to note the management accounts.</p>
<p>4.</p> <p>4.1</p> <p>4.2</p> <p>4.3</p> <p>4.4</p>	<p><b>SUBCONTRACTING / PARTNESHIP PROVISION REPORT</b></p> <p>The Principal, South Thames College, presented the update report written by David Hillier. The report detailed the process taken to select delivery partners from the framework list of preferred suppliers and an update on other sub-contracting arrangements and likely future sub-contracting activity in connection with an ESF Project (Continuing Participation).</p> <p><b>Sub-contracted AEB delivery</b></p> <p>The report detailed values for subcontracting to be awarded to three successful applicants in accordance with the Framework. The Committee <b>approved</b> the contract values detailed in the report.</p> <p><b>European Social fund (Continuing Participation)</b></p> <p>STCG were advised in December 2019 of the successful outcome of a bid submitted in January 2019 supported by two primary delivery partners. Due diligence is being undertaken with a view to putting a request for approval to the March Corporation meeting despite neither organisation being on the STCG Framework.</p> <p><b>Sub-contracting Apprenticeships - St George's Hospital, L4 Mammography</b></p> <p>In previous meetings reports have been provided alongside the perceived difficulties in complying with the funding criteria. A full proposal is to be made to the March Corporation</p>

meeting.

4.5

The Principal, South Thames College took questions on the report from governors. Governors asked whether there were any areas of risk that the Group are uncomfortable about. The Principal reported on action being taken by the Assistant Principal, HE and Business Development including checking the premises of each sub-contractor and checking their single central registers. The College funding will be paid in stages after performance review. Governors agreed that these measures provide them with assurance that the process is now more robust.

It was **resolved** to note the report.

5.

**BUDGET ASSUMPTIONS 2020 /2021**

5.1

The Deputy CEO presented a PowerPoint presentation on budget assumptions outlining the annual process of curriculum and budget planning to confirm the course offer and resourcing for the following year involving curriculum and service managers.

5.2

The presentation detailed performance to date this year against budget and the trends; for both the current year and estimated impacts for 2020/21. The Committee discussed the 3 year trends in student numbers across the Group and funding streams. There was a detailed review of 16-18s, including the funding allocation which had just been received and the ongoing decline in the number of 16-18 year old students at the Group. In the current year there are 790 fewer 16-18s than planned. The assumption being used for the budget is that 16-18s will reduce by a further 133. However, despite the decline, as funding rates and programme weightings have increased the funding allocation has increased from £28.2m to £28.9m.

5.3

The committee discussed each of the funding streams in detail with the presentation detailing best case, worse case and probable positions for each of the five main income streams which represent 85% of the budgeted income - as summarised below.

**INCOME AND EXPENDITURE (£M)**

	NOW	COULD BE WORSE	PROBABLE	COULD BE BETTER
16-18	28.2	28.9	28.9	28.9
ADULTS	12.1	11.4	11.8	12.1
APPS	2.8	2.6	2.8	3.0
HE	4.7	4.6	4.7	5.0
HNS	7.0	6.9	7.5	8.0
OTHER INC	10.8			
TOTAL INC	65.6			

5.4

The Deputy CEO presented estimated overall income and expenditure forecasts for 20/21:

<b>2020/21 EBITDA</b>		<b>£ 3,742,049</b>
Pension Increase for LPFA from 15.2% to 18.5%	£ 364,737	
1.5 % pay rise	£ 646,117	
Increments	£ 400,000	<b>£ 2,331,195</b>
<b>2020/21 EBITDA Required</b>		<b>£ 4,559,500</b>
<b>Saving Required</b>		<b>£ 2,228,306</b>

This showed EBITDA heading to £3.7m. The Deputy CEO proposed that the Group will need to make c£2.2m savings to achieve the EBITDA required of £4.5m.

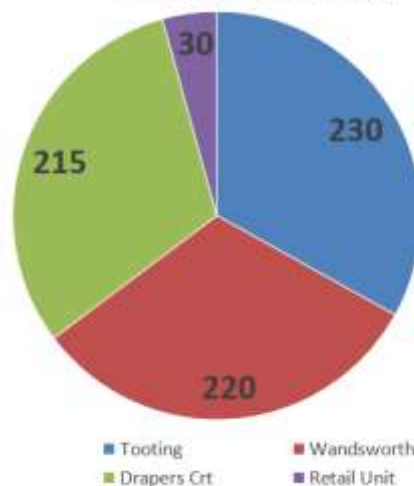
Options for making those savings were discussed. The assumption in relation to Staff costs is for savings of £1.3m after a 1.5 % pay rise. Given staffing reductions have been made for several years, governors asked whether as this represented some twenty or thirty staff this might be difficult to achieve without seriously affecting quality. The CEO replied that this has been a challenge for a prolonged period but was confident that reductions could be achieved satisfactorily. The right hand column below represents staff costs as a percentage of income.

### Staff

<b>2019-20 Staff Forecast</b>	<b>£</b>	<b>43,074,494</b>	<b>65.7%</b>
<b>LGPS Pension</b>	<b>£</b>	<b>364,737</b>	
<b>1.5% Pay Rise</b>	<b>£</b>	<b>646,117</b>	
<b>Increments</b>	<b>£</b>	<b>400,000</b>	
<b>2020-21 Staff Forecast</b>	<b>£</b>	<b>44,485,348</b>	<b>68.3%</b>
<b>Income</b>	<b>£</b>	<b>65,135,718</b>	
<b>Staff costs</b>	<b>£</b>	<b>43,184,981</b>	<b>66.3%</b>
<b>Saving</b>	<b>£</b>	<b>1,300,367</b>	

Savings of c£600k are proposed from the Estates Strategy as indicated below. Governors however urged the College to be cautious about the anticipated income from subletting one floor at Tooting due to the decline in the lettings market which had already taken place by the date of the meeting.

### Estates Strategy



The summary from the proposed assumptions, detailing best and worse case figures is as below.

## INCOME AND EXPENDITURE (£M)

	NOW	COULD BE WORSE	PROBABLE	COULD BE BETTER
INCOME	65.6	63.4	65.1	67.0
STAFF	43.1	41.2	43.2	44.1
RESTRUCTURE	0.8	1.5	0.8	0.2
BUILDINGS	6.3	6.0	5.7	5.7
OTHER	11.2	11.3	11.0	11.2
TOTAL	61.3	60.0	60.7	61.2
EBITDA	4.5	3.4	4.5	5.8

The Deputy CEO highlighted three messages for governors for the purposes of strategic planning going forwards:

- The forecast is not as bad as it could have been for 2020/ 21 because of ESFA 16-18 funding allocation increases;
- A key focus must be to halt the student/income decline going into 2021/22;
- If not, the Group will otherwise need to make further increases in savings (about £3. 3M saving now) or C £1.3m this year and c £2m this time next year.

The Chair thanked the Deputy CEO for this presentation.

It was **resolved** to note the report and the assumptions being used as the Group commences the detailed preparation of the 2020/21 budget for the Group which will be presented to the June meeting of this committee.

*Mr Monger-Godfrey left the meeting at 7.50pm*

### 6. INSTITUTIONAL REVIEW TIMETABLE AND PROPOSED VOLUNTARY REDUNDANCY SCHEME

6.1 The Director of Human Resources presented the proposed indicative timeline for the Institutional Review and proposed Voluntary Redundancy Scheme. The VR scheme will be released on 30 March and the report detailed the planned phasing of the scheme with the VR window open until 1 May.

6.2 Members asked whether the VR scheme has been amended to exclude senior postholders as agreed as an action last year by the Corporation. The Director of HR explained however that the scheme this year has a salary cap of £750 per week which would make the process unattractive to senior postholders.

6.3 It was **resolved** to note the Report.

### 7. DIRECTOR OF HUMAN RESOURCES REPORT

7.1 The Director of Human Resources presented a paper providing detailed metrics for HR issues across the College Group which currently employs 1,473 staff.

7.2 The staff turnover rate is currently 6.9%, which is based on 101 leavers since the 1 August 2019. This results in a projected annual turnover rate of 13.7%, which would be equivalent to 202 leavers. This is significantly lower than the average rate of 18.2% for all colleges identified in the AoC College Workforce Survey which identified that turnover rates are highest for colleges based in London, with the average rate being 21.4%.

7.3 For the first time the report included a table detailing a breakdown of turnover by post classification as requested by the committee. This showed the main turnover (34.7%) from support staff but this is largely made up of additional learning support staff.

7.4 The absence rate is currently 5.73%, which is based on 5046.5 days lost to sickness absence from 1 August 2019 to 31 January 2020. This had increased since June 2019



	and the work being undertaken on staff wellbeing is being used to help to address this.
7.5	525 staff (29%) are employed on sessional and variable hours contracts. However, the actual number of active sessional/variable hours staff is much lower, with a total of 167 staff completing sessional activity during February 2020. Adjusting the total workforce to account for this lower figure, the number of active sessional/variable hours staff is 15% of the total staff.
7.6	It was <b><u>resolved</u></b> to note the Report.
7.7	<b><u>Gender Pay Gap Action</u></b>
7.7.1	The Director of Human Resources presented a progress update on the Gender Pay Gap Action plan report based on the snapshot at 31 March 2018. The report based on the March 2019 snapshot is due to be released shortly but the Director of HR reported that there is no evidence of progress since this time last year. Governors asked also to see a breakdown in future of the workforce by diversity.
7.7.2	It was <b><u>resolved</u></b> to note the progress report.
7.8	<b><u>Wellbeing Report</u></b>
7.8.1	The Committee received a detailed and lengthy Wellbeing Audit Report which had been received shortly before the meeting by the Group and the Committee. The Director of HR apologised that he had not had time as a result to analysis the outcome of the audit, which contained 35 HSE questions using the approach set out by the HSE and to which 550 staff (38%) had replied. The Director felt that this level of response was a good response rate although the consultants who conducted the survey felt that this was a low level of response.
7.8.2	The data demonstrated an overall score of greater than 2.5 in all six Management Standards (1=low wellbeing, 5 = high wellbeing).
7.8.3	One area of concern was the number of responses about harassment and bullying at work indicated by staff.
7.8.4	It was <b><u>resolved</u></b> that the Director of HR would present further analysis of the outcomes of this audit to the HSS Committee and Corporation.
<b>8.</b>	<b>POLICIES FOR APPROVAL</b>
8.1	<b>FEES POLICY</b>
8.1.1	Members received a report on the review of the College's Fees Policy which provides a framework for setting tuition fees.
8.1.2	It was <b><u>resolved</u></b> : to recommend that the Corporation approve the Fees Policy.
8.2	<b>SCHEME OF DELEGATION</b>
8.2.1	The Head of Governance presented the reviewed Scheme of Delegation for the Group.
8.2.2	The committee noted that the changes to the existing Scheme were simply to update changes to committee structure / Terms of Reference in the past year.
8.2.3	It was <b><u>resolved</u></b> : to recommend that the Corporation approve the Scheme of Delegation
8.3	<b>TREASURY MANAGEMENT POLICY</b>
8.3.1	The Director of Finance presented the reviewed Treasury Management Policy for the Group.
8.3.2	This had been reviewed but was unchanged from the previous year.
8.3.3	It was <b><u>resolved</u></b> : to recommend that the Corporation approve the Policy.

9. **ESTATES STRATEGY – PROGRESS UPDATE**

9.1 The Deputy CEO presented a Confidential update on the work which had been carried out on the feasibility of the disposal of part of the Kingston College main site – the Stage 3 (S3) Building.

9.2 Governors questioned the impact on the proposal in the light of the current Covid – 19 crisis. The Deputy CEO confirmed that that Group is taking advice on the timing of any disposal and an overall marketing strategy from its property advisors and confirmed that there is no intention to place this on the market immediately.

9.3 It was **resolved** to note the Confidential Report and recommend to the Corporation to place the Kingston College S3 Building on the market for disposal at the appropriate future date as advised by the Group’s property advisors.

10. **INSOLVENCY GUIDANCE – updated Guidance January 2020**

Governors received a copy of and noted the January 2020 update to the DfE guidance “Further Education Bodies; insolvency guidance”.

11. **REVIEW OF BOARD ASSURANCE RISK AREAS**

11.1 Under the Board Assurance Framework and Risk Management Policy each committee provides to the Audit Committee an assessment and opinion on risk areas falling within their Terms of Reference. The committee reviewed the four Risk Areas delegated to this Committee noting that the only change to these had been to add to Risk 21 compliance with Government Policy in relation to Coronavirus. The Deputy CEO reported how the risks had been assessed by College managers and the factors which contributed to each overall risk score.

Severity of Risk	Minor < 19	Medium 20-34	Critical >35		
Level of Assurance	High	Medium	Low	None	
Assurance  Risk Areas	Risk Assessment			Overall Assessment of Assurance Level	Risk Area Responsibility: Governing Body Committee
	Cross Reference to Risk Register	Gross	Net		
Declining or a poor Financial Position	5,6	54	20		FPR
Failure of lack of availability of key infrastructure services	7,11,15	56	31		FPR
Staff and Group performance is detrimentally impacted by factors such as staff pay levels, well being and morale, absence levels, turnover and recruitment difficulties etc.	8,9,10	36	21		FPR
Non compliance with statutory duties i.e. H&S and Safeguarding	12a Health and Safety 12b Safeguarding	20	12		H&S&S
	13 Equality	10	5		FPR
	Total	30	17		
Failure to comply with the procedures and regulations connected to learner funding as set out by each funding body including the utilisation of expected compliance processes such as PDSAT	17	18	4		AUDIT
Governance and senior leadership arrangements are not effective	19a	18	4		SEARCH (Governance)
	19b	12	6		REMUN (Leadership)
	Total	30	30		
Failure to embrace, contribute to, respond to or to deliver on relevant National or Local Government policy or objectives (including BREXIT and Corona Virus)	20,21	41	23		FPR

11.2 After discussion it was **resolved** that:  
The Committee has assessed the risks and is satisfied that the risk level is correct and that sufficient controls and/or actions are being taken to manage the risks.

<b>Action points</b>		<b>Responsible</b>	<b>Deadline</b>	<b>Signed off</b>
<b>From this meeting</b>				
<b>1</b>	Tooting – DCEO to check and confirm unexpired term of the lease	DCEO	April 2020	
<b>2</b>	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	April 2020	
<b>3</b>	<b>European Social fund (Continuing Participation)</b> Two primary delivery partners to be put for approval to next Corporation Meeting	AS / DH	March 2020	
<b>4</b>	<b>Sub-contracting Apprenticeships - St George's Hospital, L4 Mammography</b> A full proposal is to be made to the March Corporation meeting.	AS / DH		
	Director of HR to present further analysis of the outcomes of Wellbeing audit to the HSS Committee and Corporation.			
<b>Date of Next Meeting</b>	<p>The next meeting will take place on Tuesday 28 April 2020 by Skype starting at 6.30pm.</p> <p>The Open Business closed at 8.25pm and was followed by a session of Confidential Business.</p> <p>Signed: .....Date:.....</p>			