

4.2.3	It was resolved to accept the terms of the Letter of Variation noting that this includes payment of a fee of £5000 to Barclays and the Group Principal and Chair of Corporation signed the letter.
4.2.4	<p>The Group Principal / CEO confirmed that the college is however continuing to discuss proposed additional monitoring requirements put forward from the Bank in the case that the final AEB position puts the College into a breach of covenant position. Barclays' deadline for agreeing terms is 30 September 2018 and the Bank has requested written explanation as to why AEB is still in flux. The committee discussed the additional monitoring proposals should the waiver be needed which were:</p> <ol style="list-style-type: none"> 1. Quarterly covenant review against appropriate quarterly targets for one year; or 2. A full due diligence review (at the college's expense) of the college's budget setting.
4.2.5	<p>The committee made the following recommendations:</p> <ol style="list-style-type: none"> 1. The College should undertake an analysis of its forecast quarterly EBITDA profile; 2. The College should find out more about the Bank's position in relation to the first option and whether the Bank's credit committee will impose more onerous terms; 3. Further consideration be given to the second option (despite the higher cost) to allow more time for the College to deal with correcting issues longer term – the first option tends to push the college to short term thinking.
4.2.6	It was agreed that the college would continue further discussions with the Bank to report back to the committee.
4.3	<u>Adult Education Budget (AEB)</u>
4.3.1	<p>The Group Principal / CEO reported on continuing uncertainty concerning the final year-end position for AEB. Some achievements from the college's franchise partners still had to be recorded for funding to be generated and so the AEB income remained forecast rather than actual. An ILR funding audit is scheduled for week beginning 24 September but based upon previous experiences the final reconciliation in exceptional circumstances could take until Christmas. The Finance Director explained that if this were to result in a final figure below the 3% tolerance the resulting clawback would be a significant sum, which would result in a breach of the bank covenant. The detailed breakdown of AEB at Page 16 of the July management accounts was forecasting AEB at c 98% of the AEB target, which is within the funding body 3% tolerance. Members asked how confident the college is that the college will meet the standards of the audit. The Deputy CEO advised that the assumptions underlying the forecast appeared reasonable and gave the college confidence that it will meet 98% of the target but a number of the assumptions were reliant on external factors not directly under the colleges control such as franchised partners and the funding audit.</p>
4.3.2	<p>The committee discussed issues arising from working with franchise partners, which this position demonstrates. The Group Principal / CEO expressed his desire for the group to move from franchising to directly delivering this provision, as had been achieved at Kingston College prior to the merger. This year the group are still doing £3m of franchising and budgeting for £2.5m the following year. The Principal, South Thames College is reviewing the courses offered under franchising as part of curriculum planning.</p>
4.3.3	<p>The Deputy CEO reported that the financial impact of not achieving the AEB allocation should be less this year. Last year the Group had budgeted to receive 97% of AEB budget but next year the Group is not budgeting to receive 97% so that the consequences of not hitting the target will not be so significant. Members asked about contract management arrangements with franchisees. The Group Principal / CEO explained that the franchise partners have a good OFSTED grade but the main issue is timeliness and that the Business Centre needs to improve some of their monitoring.</p>
4.4	<u>Interim Management Accounts July 2018</u>
4.4.1	<p>The Finance Director reported that additional costs incurred late in the year might still come to light in the detailed review meetings with managers. In response to a question from the Chair about the increase in cash balance of £1m between May and August the Finance Director</p>

<p>4.4.2</p> <p>4.4.3</p>	<p>explained that July PAYE and LGPS payments were not made until August. The the college receives a high level of funding in August and some deferred capital outflows will take place in 2018-19.</p> <p>Members asked about action to improve the accuracy of forecasting in those areas where forecasts were not accurate. The Group Principal / CEO confirmed that he has made clear to managers that the college requires precision and accuracy of forecasting as a priority and reported on work to promote behaviours for middle managers to take responsibility for budgets and forecasting.</p> <p>It was noted that budgets set by STC in 2017-18 were undermined early in the financial year because the 2016-17 out-turn was significantly lower than forecast which meant that the STC elements of the budget in particular were not e set on a sound basis. Budget setting for 2018-19 has used the budget setting process introduced by KC and CC and the Deputy CEO advised that the committee can have confidence that there is a greater level of detail, ownership and accountability behind the budgets.</p> <p>It was resolved: to note the management accounts.</p>
<p>5</p> <p>5.1</p>	<p>BARCLAYS LOAN UPDATE C.1 and C.2</p> <p>See Item 4 above</p>
<p>6.</p> <p>6.1</p> <p>6.2</p> <p>6.3</p> <p>6.4</p>	<p>ESTATES STRATEGY - progress update D.1</p> <p>The Corporation at their Strategy Awayday on 11 June approved the Group Estates Strategy. The Deputy CE gave an update presentation arising from further work undertaken since then in relation to consolidating the estate. The finding as to over provision of floor space was 38,263m². The presentation highlighted proposals for parts of the college estate. Estimated valuation figures for each proposal are confidential for reasons of commercial sensitivity. The full presentation will be copied to all governors.</p> <p><u>Drapers Court , Kingston</u> The Corporation has already approved plans to put Drapers Court up for sale in October 2018. Kingston College currently retains about 3 floors and rents out the remainder of the building. The three floors would cost about £125k-135k per floor to replace. The annual impact of the sale due to loss of rental income and assuming rent for 1 floor only will be approx. £500k after deducting running costs.</p> <p><u>Kingston College land at rear of Richmond Road.</u> Proposals to develop land at the rear of the college is now being led by the college with a higher estimated value than previously, subject to pre-application discussions with the planning department. Plans will be presented to the Corporation for decision in October 2018.</p> <p><u>Skills for Londoners Capital Fund Round 2</u> Mayor of London and the London Economic Action Partnership (LEAP). The 4 priorities for the Fund which applicants need to demonstrate are:</p> <ul style="list-style-type: none"> • partnerships and collaboration with employers and local stakeholders in the design and delivery of provision; • construction skills training, including the adoption of modern methods of homebuilding; • approaches to delivery which secure the highest levels of social, economic and environmental value; and • place making and high-quality design, strengthening links with local communities. <p>The College will be submitting a bid, by the deadline of 1st October 2018, as previously approved by the Corporation, for remodelling the Kingston Hall Road site including relocating facilities from Drapers. If the LEAP bid is successful, the college contribution to this would come from the sale of Drapers Court and the land behind Richmond Road. The Principal, Kingston College reminded the committee of the need for expenditure on the Kingston Hall Road tower and that it has been apparent on enrolment this year more than ever of the pressing need for refurbishment and updating.</p>

6.5	<p><u>Kingston College, Kingston Hall Road Disposal of 'Air Rights' for development</u> The College has developed a scheme that would have wider interest but there is not currently supported by the planners. The College is therefore currently reviewing whether to proceed any further with this option.</p>		
6.6	<p><u>Possible relocation from Kingston Hall Road</u> The new RBK administration is not interested in a proposal mooted previously and so this idea cannot progress any further currently without RBK support.</p>		
6.7	<p><u>Wandsworth Commercial Unit</u> The Corporation will be asked to make a decision on disposal of this in December 2018</p>		
6.8	<p><u>Carshalton Site B</u> Members received an update on discussions with working with an adjoining landowner on a joint sale of adjoining parcels of land. However, top level estimated costs to reconfigure the remaining parts of estate indicate that these would be higher than the estimated receipts. Members asked the College to consider the options of moving some provision to Merton to save reconfiguring costs and what options were available to continue with having a nursery at the college.</p>		
6.9	<p><u>Possible sale of freehold of Mavis Peart Building</u> to Orchard Hill – a condition of the grant funding received for that building is that Orchard Hill can occupy this for 40 years.</p>		
6.10	<p><u>South Thames and Tooting</u> A number of options for disposals and rentals are being discussed including discussions about the disposal of about 6000sqm for a primary school. In addition the Principal, South Thames College reminded governors to have a high level curriculum focus – to ensure that the college retains sufficient spare space to allow the college to meet future curriculum needs.</p>		
6.11	<p><u>Merton part disposal</u> More work is needed in terms of proposals for the Merton site that would be considered at a future meeting of the Committee.</p>		
6.12	<p>There followed discussion in which the committee asked for the following information to be available to governors when being asked to make accommodation decisions:</p> <ul style="list-style-type: none"> • any annual revenue expenditure impact of proposals ; • A 5 year capital requirement be identified beyond the current two year financial; • Supporting evidence for all options for each site which fall within the remit of the College Estates Strategy. 		
6.13	<p>It was resolved: to note the progress report and the decisions relating to the accommodation strategy that will be presented for approval by the Corporation on 9 October 2018 :</p> <p>The Chair thanked the Deputy CEO for this presentation.</p>		
	<p>MEETING DATES Meeting dates were previously agreed, however it was agreed to move the March 2019 meeting by a week to Thursday 14th March 2019 at Merton College. The new dates are:</p>		
	<p>Tuesday 20th November 2018 Additional Meeting 22 Jan 2019 Thursday 14th March 2019 Additional Meeting 30 April 2019 Tuesday 11th June 2019</p>	<p>6.30-8.30pm 6:30 -8:00pm 6.30-8.30pm 6:30-8:00pm 6.30-8.30pm</p>	<p>South Thames College (Wandsworth) Kingston College/ Conference Call Merton College REVISED DATE STC (Wandsworth)/ Conference Call Carshalton College</p>
	<p>Members also received for information and noted the Association of Colleges Summer 2018 Report on College Finances.</p>		
	<p>The meeting closed at 9:15pm</p> <p>Chair.....Date:.....</p>		

Action points	Responsible	Deadline	Signed off	
1.	College to continue further discussions with the Bank to report back to the committee.	PM-S, RG	End Sep 2018	
2.	Committee asked for following information to be available to governors when being asked to make accommodation decisions: <ul style="list-style-type: none"> • any annual revenue expenditure impact of proposals ; • A 5 year capital requirement be identified beyond the current two year financial; • Supporting evidence for all options for each site which fall within the remit of the College Estates Strategy. 	RG	Dec 2018	