



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		
Date	22 January 2018 By Conference Call		
Members	Dr J. Brumwell Mr D. Cheema Mr E. Gilbert Mr J. Hick Mr K. Hossain Mr P. Mayhew-Smith	- Group Principal / CEO	
In Attendance	Ms. R. Devan Mr C. Wright Mrs H Meredith	- Director of Finance - Deputy CEO - Head of Governance	
Key Meeting Outcomes			
1.	APOLOGIES		
1.1	Apologies were received from Mr Allen and Mr Greenaway, Deputy CEO.		
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 that Mr Cheema holds an unpaid directorship of KCTC Ltd and Dr Brumwell, Mr Cheema and Mr Mayhew-Smith hold unpaid directorships of KSEP Ltd.		
3.	MINUTES OF MEETING OF 21 NOVEMBER 2017 AND MATTERS ARISING		
3.1	<u>Accuracy.</u> The minutes were accepted as an accurate record and signed by the chair.		
3.2	<u>Matters arising</u> Members noted the following updates:		
	Election of vice chair deferred to next meeting and nominations to be invited in advance	HoG	Deferred to next meeting (6 /3/18)
	Q & A between former STC Finance Committee Chair and Director of Finance to be attached to June 17 STC Finance Committee minutes	HoG	Actioned not for publication
	Monthly management accounts to be sent to FPR committee members	DoF / HoG	Actioned
	Cashflow projections to be included in all management accounts	D o F	Actioned
	The college should review agency costs and potential savings to agency costs by setting up an internal pool of staff.	Group Principal / DoF	See Recovery plan
	The Chair asked for confirmation of what EBITDA measure is being used by Barclays.	D o F	-----
	KPI Measures from letter from ESFA to be included in Management accounts Eg staff utilisation and class size	DoF	To be changed for 2018-19
	Cash flow forecasts to include headings from BDO cash flow forecast in their due diligence report	DoF	See Agenda item 4
	Termly report on franchising –and how to protect targets when not hitting targets.	DoF	Included in the management accounts. Separate report to next meeting
.3	Estate utilisation to come to next meeting	Group Principal / DoF	Top line utilisation figures to each meeting Deferred to next meeting as part of 2018-19 accommodation strategy.
	The Chair, on behalf of the Committee, congratulated Ms Devan on her appointment as Director of Finance for the South Thames Colleges Group.		

4. OCTOBER / NOVEMBER 2017 MANAGEMENT ACCOUNTS

- 4.1 The Group Principal introduced this item by explaining that the November 2017 management accounts filled the college with alarm about the huge financial pressures which it faces. The Chair had raised in advance of the meeting a series of detailed questions on the content of the management accounts which had been answered by the Finance Director and copied to the committee. Of these concerns the two most critical issues are:
- 4.1.1
- Adult Education Budget: where the delivery forecast is £2.8m below budget and franchising will need to be increased by £1.3m (from £1m to £2.3m) to absorb the allocation;
- 4.1.2
- HE Income (franchised and direct delivery) down on budget by £710k.
- 4.2 These are set against largely static staffing but extra pension and NI costs resulting in salary savings only showing as £290k.
- 4.3 The Finance Director reported that apprenticeship provision is not growing as expected following the introduction of the Apprenticeship Levy – providing further exposure in the future. Details of the variances between Group budget and forecast were detailed at page 16 of the management accounts.
- 4.4 The Group Principal reported that the College has produced a Recovery Plan which had been circulated to the committee. Members discussed how to reduce the size of the College due to the shrinking income streams and how to right size the campuses in a relatively short timescale, for example noting the excess accommodation at Wandsworth and excess costs at Carshalton. The College's intention is to identify all of the pressures, costs and overspends and address these this year. The Recovery Plan is intended to recover the College's position in line with its covenants to the Bank.
- 4.5 The Group Principal reported that the College is accelerating the comprehensive curriculum review to rationalise provision between Carshalton and Merton and between Wandsworth and Tooting, possibly to allow more responsive provision to be moved to Tooting. The review should be finalised by the March Corporation meeting. Members encouraged a radical approach to the review.
- 4.6 Members asked about expanding High Needs Provision noting that STCG have had 4th highest increases nationally in high needs provision – the highest growth line for budget setting for next year. There are very good links for High Needs provision with Wandsworth but room for improvements at Kingston and Carshalton.
- 4.7 In response to questions about the introduction of T levels the Group Principal reported that these are still an unknown quantity. The College is piloting the 8 week Work Experience project which will bring in some more funding. However the first T levels are not due to be piloted until 2020-21.
- 4.8 Members discussed the decline in FE noting reasons for this including a decline in 16-18 year olds in FE colleges and more competition for HE as HEIs have lowered their recruitment thresholds. AEB has declined in periods of very low levels of unemployment and since the introduction of 19+ learner loans. The College rapidly needs to bring operating levels down to a sustainable level. In response to questions about staff costs the Group Principal confirmed that the College is freezing recruitment as vacancies arise and intends to make agency staff savings with further major staffing reviews later in the year.
- 4.9 Members asked about franchising costs and whether to continue with sub-contracting when the costs are so high. The Deputy CEO explained about clawback and that by franchising this provision the College will receive a 20% contribution on the franchised provision (20% of £2m = £400k in year) Members discussed downsizing the forecast for AEB provision for the merged College and setting the budget at a new lower baseline level. The Group Principal confirmed his intention to bring subcontracting down to a lower level, as had been achieved at Kingston and Carshalton Colleges prior to the merger, although they had been subject to

	clawback.
4.10	Members asked how the Bank received the College's financial position. The Group Principal and Finance Director reported on a recent meeting with the Bank relationship manager who confirmed that the Bank has no desire to create further difficulties and is looking at ways to assist the Group during the first year. The Recovery Plan will be presented to the Bank for review by their Credit Department.
4.11	The Finance Director reminded the committee that the last meeting discussed the possibility of re-paying part of the loan. The College is looking at further asset disposals and expects to finish the year with £9m in the bank. Discussions with the bank include how the College can offset the cash against the loan as the College will not be in a position to make enough loan re-payment. The Chair confirmed that the College should take action so as not to breach the bank covenants.
4.12	In response to questions the Finance Director confirmed that the cash flow forecast in the management accounts includes the extra £1m CAPEX agreed last term but no allowance for a disputed break fee in relation to a South Thames College Lloyds Bank loan. Members noted that Lloyds' solicitors have been back in contact and the College is taking legal advice.
4.13	Members asked about South Thames Debtors (page 22) noting that contained within the STC balance of more than 121 days is a student ledger balance of £1.9m that has not moved in 2017-18. The Finance Director had contacted the Financial Statements Auditors in relation to this. Normally if the income had been recognised and carried over then these debts would have a prior year adjustment but as STC was dissolved and is no longer a going concern and this is a material sum this will need to be dealt with as an adjustment to last year's figures. The impact on 17-18 income is hard to determine until a 7 month backlog of cash processing (due to staff long term sickness) has been dealt with.
4.14	It was resolved : to note the management accounts.
	<p>FINANCIAL RECOVERY PLAN</p> <p>Members reviewed the Financial Recovery Plan. The Finance Director reported on work currently ongoing to test delivery against each of budget areas. Broad target figures have been set for each of the teams and these will be tested at team budget meetings. All of the Group leaders have been tasked with finding savings. Some very positive figures in relation to AEB had been received already from one of key delivery teams which needed to be checked with the hope that the AEB position will improve significantly.</p> <p>Members noted that the salary forecast in the management accounts includes £450k of risk allowance; the intention is to claw back at least part of that. The review meetings will include detailed review of salary forecasts of both permanent and agency staff with the aim to produce an analysis of fixed and variable staff costs (agency and sessional) so as to prevent the previous huge variance at STC at year end between forecast and actual. The Group Principal reported that this higher level of control at college level and the shutting down of agency spend where this reaches a certain level provides a second line of defence for the College. A number of teams have closed down staffing vacancies and are starting work on making savings on non -pay lines.</p> <p>However the Group Principal reported that the Facilities team at STC have indicated that their recurrent costs are significantly higher than budget and this is to be investigated urgently.</p> <p>It was resolved to note the Recovery Plan.</p>
5.	CAPITAL DEVELOPMENTS UPDATE
5.1	Members received the 2017-18 Capital Update and noted that the budget parameters will be presented to the March meeting.
5.2	The Deputy CEO reported that work on the lifts and the windows project at Kingston are now becoming more urgently in need of action for Health and Safety reasons.

5.3	It was resolved to note the Report			
9. 9.1	MEETING DATES - TO NOTE/ AGREE: The following changes were agreed: <ul style="list-style-type: none"> • Next meeting Tuesday 6 March 2018@ 6:30pm at Wandsworth • An additional meeting was fixed to take place on Tuesday 17 April at 6:00pm – 7:30pm by Conference Call. 			
Action points		Responsible	Deadline	Signed off
From this meeting				
1	Election of vice chair deferred to next meeting and nominations to be invited in advance	HoG	Deferred to next meeting (6 /3/18	
2	KPI Measures from letter from ESFA to be included in Management accounts Eg staff utilisation and class size	DoF	To be changed for 2018-19	
3	Termly report on franchising –and how to protect targets when not hitting targets.	DoF	Separate report to next meeting	
4	Estate utilisation to come to next meeting	Group Principal / DoF	Deferred to next meeting as part of 2018-19 accommodation strategy.	
Date of Next Meeting	The next meeting will take place on Tuesday 6 March 2018@ 6:30pm at Wandsworth . The meeting closed at 8:15 pm. H M Meredith, Clerk to the Committee Signed:Date:.....			