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	16 March 2023 at 5.30pm
Members	Mr J. Marshall (JM) - Chair Dr J. Brumwell (JB) Mr R. Foulston (RF) Mr P. Mayhew-Smith (PM-S) - Group Principal / CEO Mr T. Monger-Godfrey (TM-G)
In Attendance	Ms. R. Devan (RD) - Director of Finance Mr D. Fraser (DF) - Director of Human Resources Mr R Greenaway (RG) - Deputy CEO, Finance and Resources Ms S. Lockett (SL) - Director of Facilities Ms J. Percival(JP) - Interim Principal, Carshalton and Merton Colleges Mr J. O'Shea(JOS) - Principal, Kingston and South Thames Colleges Mrs H Meredith (HM) - Head of Governance

Key Meeting Outcomes

The meeting took remotely.

1. **APOLOGIES**

1.1 Apologies were received from Mr Cheema and Cllr Holt.

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 26 JANUARY 2023 (AND MATTERS ARISING**

2.1 Accuracy. The minutes were accepted as an accurate record to be signed by the chair.

2.2 Matters arising

2.2.1 The updates on the Action log were reviewed and noted as below:

Approach for energy costs 2023-24 to be reviewed	RG	March 2023	Agenda Item 3.2
FPR to review next year whether to introduce a formal Reserves Policy.	JM/RD/RG	March 2023	Agenda Item 4
Further updates from the impact of the ONS re-classification decision to be brought to future meetings.	HM/ RG	Future meeting	Agenda Item 5
RG to ask TM-G for some advice about whether to instruct new agents in relation to the Wandsworth retail unit.	RG/ TM-G	March 2023	Actioned

2.2.2 RG reported that following contact with TMG a more cautious approach to changing agents had been taken. A new offer has now been received for the Wandsworth Retail unit; Heads of Terms are being negotiated.

2.2.3 RF asked whether the STCG Accountability Statement has been drafted. PM-S confirmed that the STCG Accountability Statement will be written in response to the London LSIP which is due to be published at the end of March.

2.3 It was **resolved** to note the minutes.

3. **MANAGEMENT ACCOUNTS JANUARY 2023, FEBRUARY 2023**

3.1.1 The January management accounts were presented by RD as the February management accounts had only just been published. RD highlighted the most significant variances between the latest forecast and the previous month's forecast.

3.1.2 The Committee reviewed these noting variances including :

- Increase in High Needs income (E2) iby £126k following a further allocation in January 23.

	• Reduction in miscellaneous income of £104k relating to apportionment of utility costs at STC; the basis on which services are recharged to the school based at Wandsworth campus has been revised to reflect actual consumption and the income forecast has reduced significantly as a consequence. • The staff cost contingency was restated at the budgeted level this month (reduction of £100k) which accounts for the apparent improvement of £91k . • Redundancy costs forecast expenditure has been reduced by £100k
3.1.3	The current Financial Health Assessment for the Group in the January and February management accounts, is Good .
3.1.4	It was **resolved**: to note the January 2023 management accounts and that the February management accounts will be reviewed in detail at the next meeting .
3.2	**ENERGY COSTS AND ISSUES**
3.2.1	SL presented an update paper on energy costs. In July 2022 the Group fixed 100% of gas and electric prices rather than utilise the variable percentage lock-in approach. This approach has paid off and protected the Group from the steep price increases which took place after the prices were fixed. The original forecast for 22/23 was around £4m. The current forecast is £3,160,483; this has reduced due to Government support and a drop in consumption since the consumption reference year of 18/19 . The actual year to date expenditure is £1,331,201. Estimates for energy costs for 2023/24 are between £3.1m and £3.4m- broadly in line with actual expenditure for the current year.
3.2.2	The Committee noted that at the time when the budget was set the original forecast for this year's energy costs was £1.4m so the actual costs, even after government support will be a more than double the original budget figure.
3.2.3	It was **resolved** to note the report.
3.3	**BUDGET ASSSUMPTIONS 2023 /2024**
3.3.1	RG presented a paper on budget assumptions outlining the annual process of curriculum and budget planning. An extensive piece of market research, identifying demand and opportunities is being used to identify new provision to be developed for 2023-24. For key income streams the GLT have agreed student planning steers which are used to moderate local college plans and has made "top level" assumptions to develop the 2023-24 budget including anticipated savings levels, EBITDA, pay awards and growth in income and expenditure. So far, some downward trends in income and some increases in expenditure have been identified including £0.5m increases in premises costs.
3.3.2	The paper also included the budget planning timetable. Budget planning meetings in the last week have been trying to identify the savings needed to reach EBITDA of 3%.
3.3.3	The assumptions for the impact of the new pay and grading structure are an increase of £1.4m.
3.3.4	Prior to the increase in energy costs last year the EBITDA target used to be about 5-6%. EBITDA of 3% has been included in the budget assumptions for 2022-23. JM highlighted that this would be the second year with a lower EBITDA target as the target was reduced in the budget for the current year to 2% due to the exceptional increase in energy prices. RG reminded the committee that the college has made significant loan repayments which give the college more operational freedom by not being so tied to bank leverage covenants. PM-S pointed out that the budget assumptions include £0.5m extra expenditure on pastoral support for students including safeguarding and enrichment.
3.3.5	JM asked about confidence in the income forecasts. Discussion about a drop in HNS growth noted the College's plans to increase prices charged to Local Authorities for HNS by about 6%.
3.3.6	In response to a question from JM , RD confirmed that the indicative budget will maintain Good financial health.
3.3.7	It was **resolved** to :

	• note the timescales for the 2023-24 Curriculum and Budget Planning Process • recommend that the Corporation notes the budget assumptions used as the Group prepares the 2023/24 budget for the Group including an EBITDA target of 3% for 2023-24 • note that the 2023/24 Budget will be presented to the June meeting of this committee for approval by the Corporation in July.
3.4 3.4.1	**REVIEW OF GROUP FINANCIAL POSITION** Members reviewed and discussed the key performance indicators and the financial position shown in the February management accounts.
3.4.2	The current Financial Health Assessment for the Group in the February management accounts, is Good. The **net** change to EBITDA forecast between the January and February management account is not significant (£12.8k) although there were some significant variances.
3.4.3	The budget assumed that £2.5m of AEB delivery will be subcontracted to partners . The College's own delivery of AEB has improved significantly in ESOL and as a result it has been possible to reduce sub-contracting by £250k . The decision to reduce subcontracting was also informed by the year to date performance of partners, some of whom are yet to submit any claims for their delivery. This will mean that the College should meet (but not exceed) its AEB allocation and will save the cost of that level of sub-contracting.
3.4.4	It was **<u>resolved</u>** to recommend to the Corporation that the college should set an EBIDTA target of 3% for 2023 – 24 and to change the College Finance Policy to reduce the usual EBITDA target in future years to 3.5%.
4.	**RESERVES POLICY**
4.1	The reason for this discussion was reference in the Financial Statements to the College not having a Reserves Policy . However, RD explained that is a standard statement from the template for model college accounts.
4.2	The Committee discussed that in recent years the largest movement in reserves has been movements in pension liabilities which are outside of the college control.
4.3	The Committee noted that the College Finance Policy covers Capital Expenditure and the Cash Policy covers management of long-term cash balances. After discussion it was therefore **agreed** that the College does not need a traditional Reserves Policy and to take no further action in relation to this.
5.	**FURTHER IMPACT OF ONS RE-CLASSIFICATION**
5.1	HM presented a paper with updates from a recent DfE webinar including a Timeline for the introduction of further changes. The Committee received five Bitesize Guides to the key changes , published by the DfE to cover the transition before publication of the new Financial Handbook for Colleges in 2024. RF drew attention to the fact that the college cannot enter any Novel, Contentious or Repercussive transactions without DfE consent.
5.2	The Committee noted that the DfE has announced plans to introduce new repayable capital loans (not grants) for capital projects either already underway or in advanced stages of planning and facing a funding gap as a result of the commercial borrowing restrictions.
5.3	RD pointed out the likelihood that the DfE will change the accounting year-end for colleges to 31st March and if this happens this would create a significant increase on workload for the Finance Team .
5.4	It was **resolved** to note these updates.
6. 6.1	**TREASURY REPORT** RD presented a report outlining the Group's approach to managing loans and investments in compliance with the "Managing Public Money" (MPM) conditions which apply to colleges following the reclassification decision by the ONS . The Committee noted that:

6.2	**Facility A** is a fixed term facility with an expiry date of 31 July 2030. The loan balance on 1 August 2022 was £5,356,709 and based on the repayment schedule, will reduce to £4,811,901 at 31 July 2023. Monthly capital repayments will reduce the balance to zero at July 31st 2030.
6.3	**Facility B** was based on a 25-year repayment profile, renewable every 5 years. A voluntary repayment of £5m in December 2020 combined with monthly repayments reduced the balance to £2,120,000 by July 2022. The remaining balance of Facility B was redeemed when the fixed rate deal expired in July 2022. The reduction in borrowings contributed to the 'outstanding' financial health grading for 2021/22.
6.4	**Revolving Credit Facility (RCF)** On making a part repayment of Facility B, the Group entered into an RCF for the same amount (£5m) to provide access to finance should the need arise. The RCF was increased to £7m when Facility B was repaid. No funds have been drawn down on the Facility. Prior to agreeing the Facility, the Group took advice on the possible impact of any reclassification decision on the Group's ability to borrow. Following reclassification, public sector borrowing rules were applied with immediate effect and colleges were required to seek DfE consent for any 'future borrowing'. Furthermore, any amounts drawn down on Revolving Credit Facilities or overdrafts have to be repaid by 31 July 2024 as colleges cannot use these Facilities beyond this date. Colleges were required to submit, before 16 December 2022, a consent request to use any RCF. STCG's application for approval was refused by the DfE. It was **<u>resolved to note</u>** that as the RCF was of no further value to the Group this has been cancelled and the Facility (commitment fee) will now be saved. The Funding Body issued a letter of comfort providing assurance that, should the college be unable to proceed with an existing capital project the project may be eligible for a new DfE capital loans scheme in 2023/24 and 2024/25.
6.5	**Investment options** The Group's short-term cash balance is significant due to the transactions below: •Property disposals in 2018/19 and 2019/20 • Phasing of the Kingston Hall Road projects • Significant operating cash inflow in the financial years 2019/20 and 2020/21 Some of the cash will be used to deliver the new Estates Strategy The Group had invested surplus funds in a Green deposit account with Barclays. Since September 2022 due to the rise in interest rates this has begun to generate significant amounts of interest; forecast interest income for 2022/23 has increased to £400,000 (£96,000 in 2021/22). RF asked about the accessibility of the funds and RD confirmed this is on relatively short notice. The reclassification may mean that colleges, as public sector organisations, will need to contain investment activity to risk free investments only, though this awaits clarification. No other investment action was therefore proposed at this stage. The Treasury Management Policy will be reviewed to take account of MPM rules for approval at the June 2023 Committee meeting. It was **<u>resolved to note</u>** that Investment returns from the Green deposit have increased by 300% and no other investment activity is being proposed at this stage
7. 7.1	**DRAFT ESTATES STRATEGY** RG presented the key drivers being used by property consultants advising the college to develop and evaluate options to include in a new Estates Strategy - the previous strategy expired in 2022. The aims of the strategy will be to: • Reduce the size of the estate further • Continue to improve the estate particularly at Carshalton College and Kingston College • Consider the impact of curriculum and/or estate rationalisation on local and regional communities • Reduce running costs and contribute to the achievement of environmental and carbon

	reduction targets. TMG pointed out the importance of increasing the drive towards net zero as the cost of maintenance of obsolete buildings will increase. • Ensure that estate development and rationalisation is funded primarily from disposals and any available grants • Promote the Group as a high quality and key regional organisation that contributes substantially to meeting the educational needs of the region • Continue to operate from sites in the boroughs of Kingston, Merton, Sutton and Wandsworth
7.2	JM asked whether the College has any benchmarking for estates management costs and RG agreed to investigate.
7.3	RF asked for the options being evaluated to include renting out parts of the college estate.
7.4	RF asked whether STCG has the right resources and skills to manage a programme to managed the significant reduction in the size of the estate needed. PM-s confirmed that managing the estates strategy has to be secondary to the core purpose of delivery of the educational mission of the college.
7.5	It was **resolved to note** the report and that option appraisals will be considered by this Committee or to re-convene the Estates Sub-Committee to review the options to recommend for approval by the Corporation .
8.	**ENVIRONMENTAL &SUSTAINABILITY POLICY ACTION PLAN** – progress update
8.1	SL presented the Environmental & Sustainability Policy Action Plan RAG rated to show progress on the College's approach to Environmental Sustainability. The aim is to achieve emerging status under the FE/EAUC Climate Action Road Map by June 23.
8.2	SL reported that work has begun on collecting data to measure the College's carbon footprint. This has established that the Group has already achieved an 18% reduction in Carbon from the reference year (2018) however, this is in part due to college closures during Covid lockdowns. The one area on the action plan RAG rated Red is that the College does not yet have strategies in place to reduce energy use and the impact on its Carbon Footprint. JM suggested using students to help with that work.
8.3	The Committee also received the following : Appendix A – STCG Climate Emergency Commitment Document Appendix B – Report to Environment and Sustainability Advisory Group on Carbon Reporting – Future Net Zero Report and Targets. Appendix C – Future Net Zero Report – 2021/22 Accredited Version
8.4	It was **resolved to note** the update.
9.	**SUBCONTRACTING / PARTNERSHIP PROVISION REPORT**
9.1	JOS presented the termly update report on performance to date of the two types of sub-contracted provision – AEB and Apprenticeships. Due diligence for all AEB Subcontractors awarded contracts in 2022-23 has been undertaken
9.2	RD reported under Agenda Item 3.4.3 about the reduction in sub-contracting as the College's own delivery of AEB has improved significantly in ESOL. As a result, sub-contracting had been reduced by £250k . The decision to reduce subcontracting was also informed by the year to date performance of partners, some of whom had not yet submitted any claims for their delivery. 2nd tranche allocation has been approved for the two sub-contractors on line with their target but two sub-contractors who had not delivered to target will have their allocations reallocated to the successful sub-contractors.
9.3	It was **resolved to note** the update.
10.	**2023/24 PLANNING TIMESCALES** See Agenda Item 3.3

11.	**HUMAN RESOURCES REPORT**
11.1.**1**	DF presented a paper providing detailed metrics for HR issues across the College Group which currently employs 1392 staff.
11.1.2	Staff turnover is currently 11.6%, based on 161 leavers since the 1 August 2022. The average monthly turnover rate has reduced from 2.6% in October 2022 to the current rate of 1.0%.
11.1.3	The staff absence rate is currently 5.3%, based on 5,500 days lost to sickness absence from 1 August 2022 to 28 February 2023. Stress related absence has reduced from 25.3% in December 2022 to 21.6%. Of this, long-term absence has reduced from 66.3% in October 2022 to 57.9% of the total working time lost. The average period of long-term absence has reduced from 16.3 weeks in October 2022 to 13.42 weeks and the rate reduces to 8.49 weeks for sickness commenced within the current reporting year.
11.1.4	JB noted reference in the report to 3 employment tribunal cases and challenged the lack of detail about these asking that governors should be supplied with more detail particularly about the legal costs and whether the college's costs are covered by insurance. DF confirmed that the college has insurance although there is a relatively high excess and agreed to include more detail in future reports.
11.1.5	It was **resolved** to note the Report.
11.2	**PAY AND GRADING UPDATE**
11.2.1	PM-S reported that the College is going through the implementation of the new pay and grading structure for pay grades 1 – 6 and that the next stage will be to agree terms for Grades 7 – 11 with the unions. The consultation period in relation to Grades 7-11 has closed and discussion with the unions will start soon.
11.2.2	It was **resolved** to note this update.
11.3	**VOLUNTARY REDUNDANCY (VR)SCHEME**
11.3.1	DF reported that the VR Scheme opened early this year and the committee noted the paper setting out the VR arrangements for the relevant stages of the 2023 Institutional Review exercise, and the redundancy compensation arrangements associated with each phase.
11.3.2	DF reported that approximately 20 staff have applied for VR but only 3 applications have been approved at the present time for financial reasons. The second VR window will be reserved for staff placed at risk of redundancy. A reduced weekly cap of £630 compensation will apply during this second phase.
11.3.3	DF reported that the College has obtained legal advice that the scheme is compliant with legal requirements associated with the ONS reclassification decision.
11.3.4	It was **resolved** to note the report.
12.	**POLICIES FOR APPROVAL**
12.1	**FEES POLICY**
12.1.1	Members received a report on the review of the College's Fees Policy which provides a framework for setting tuition fees.
12.1.2	It was **resolved** to recommend that the Corporation approve the Fees Policy.
12.2	**SCHEME OF DELEGATION**
12.2.1	HM presented the reviewed Scheme of Delegation for the Group. The committee noted changes to the rules around the delegated authority in relation to procurement to update these to remain proportionate to inflationary increases in prices and maintain a balance between the administration and the probity of the procurement process.
12.2.2	It was **resolved**: to recommend that the Corporation approve the revised Scheme of Delegation
12.3	**LGPS DISCRETION POLICY**

DF presented the reviewed LGPS Discretion Policy based on a pre-merger policy used by Kingston College.

It was **resolved**: to recommend that the Corporation approve the Policy

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

13.1 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. There are four Risk Areas delegated to this Committee.

Risk Areas	Cross Reference to Risk Register	Gross	Net	Overall Assessment of Assurance
Declining or a poor Financial Position	5,6	54	15	
Failure of lack of availability of key infrastructure services	7,11,15	56	23	
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	25	
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	63	15	

13.2 JM asked whether the Risk Register needs to include reference to the re-classification to the public sector and the resources need to deal with any change of financial year end. RG confirmed that this currently falls under Risk 20 but if any significant impact arises this will be made into a separate risk. HM confirmed that the Audit Committee have also asked this to be considered and for the full Corporation to carry out a risk register review this year.

13.3 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.

Action points		**Responsible**	**Deadline**	**Signed off**
From this meeting				
1.	The Treasury Management Policy to be reviewed to take account of MPM rules and presented for approval to the June FPR meeting	RD	June 2023	
2.	Consider convening the Estates Sub-Committee to consider the Estates Strategy option appraisals	HM / JM	June 2022	
3.	Investigate any benchmarking for estates management costs	RG	June 2022	
4.	Estates Consultants to be asked to evaluate renting out parts of the college estate.	RG	June 2022	

Date of Next Meeting

The next meeting will take place on Tuesday 25 April 2023 by Teams starting at 5.30pm.
The meeting closed at 7.35pm.

Signed: ……………………………..............Date:………………………