

## 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	27 September 2022														
Members	Mr J. Marshall (JM) - Chair Mr D. Cheema( DC) Mr R. Foulston ( RF) Cllr A. Holt (AH) 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 R Greenaway (RG) - Deputy CEO, Finance and Resources Ms S. Lockett (SL) - Director of Facilities Mr J O'Shea (JO) - Principal, Kingston and South Thames Colleges Mr J. Pemberton-Billing(JP-B) - Principal, Carshalton and Merton Colleges Mrs H Meredith (HM) - Head of Governance														
Key Meeting Outcomes															
1.	<b>APOLOGIES, WELCOMES AND DECLARATION OF INTEREST</b> Apologies were received from Dr Brumwell and from the Director of Human Resources who normally attends meetings. JP-B sent apologies in anticipation of joining the meeting late.														
1.2	Members confirmed that they did not have any other new pecuniary or other interest in any item on the agenda other than interests which have previously been declared.														
2.	<b>ELECTION OF CHAIR AND VICE-CHAIR FOR F, P and R COMMITTEE 2022-23</b> Mr Marshall was elected as Chair . The Election of vice-Chair was deferred to the next meeting														
3.	<b>MINUTES OF MEETING OF 16 JUNE 2022 AND MATTERS ARISING</b> <u>Accuracy.</u> The minutes were accepted as an accurate record to be signed by the chair.  <u>Matters arising.</u> The Action Log was reviewed and the following updates noted: <table border="1"> <tr> <td>Amend Minutes 27 April to move Item 3.2.4 to Confidential Minutes</td> <td>HM</td> <td>Actioned</td> </tr> <tr> <td>Review the decision whether to refinance Facility A again</td> <td>RD/RG</td> <td>Deferred to next meeting</td> </tr> <tr> <td>College should investigate any other green grants which might be available for KHR window replacement</td> <td>SL / RG</td> <td>SL reported that a new round of Salix Funding (Phase 3B) for energy efficient windows had just been announced and the College will apply if eligible</td> </tr> <tr> <td>The final list of Committee meeting dates was to be agreed and circulated following the meeting.</td> <td>HM</td> <td>Actioned</td> </tr> </table>			Amend Minutes 27 April to move Item 3.2.4 to Confidential Minutes	HM	Actioned	Review the decision whether to refinance Facility A again	RD/RG	Deferred to next meeting	College should investigate any other green grants which might be available for KHR window replacement	SL / RG	SL reported that a new round of Salix Funding (Phase 3B) for energy efficient windows had just been announced and the College will apply if eligible	The final list of Committee meeting dates was to be agreed and circulated following the meeting.	HM	Actioned
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4..	<b>GROWTH STRATEGY - UPDATE ON 2022-23 ENROLMENTS</b> JO presented the latest enrolment data across the Group: <ul style="list-style-type: none"> <li>• <b>16-18</b> enrolments have gone extremely well – significantly above target and currently above the elevated target (10% higher to allow for dropout before the 42-day census) Some other London Colleges are reporting dips in 16-18 enrolment this year as more students have left college to start work.</li> <li>• <b>Adult</b> enrolments were up about 1000 up on the same date the previous year</li> <li>• <b>Higher Education</b> enrolments are below target but enrolment is still continuing.</li> <li>• <b>Apprenticeships</b> 484 enrolments against a target of 541 but these continue to enrol throughout the year</li> <li>• <b>High Needs Students</b> 779 enrolments against a target of 800 and this number is likely to still go up.</li> </ul>														

Funding stream	Number last year	Target	Number on 27 <sup>th</sup> September	Variance
16-18	4552 (inc. HNS)	4934* (inc. HNS)	5013 (inc. HNS)	+79
Adult	13,963 (7532 unique)	13,956	5254** (3853 unique)	-8702
HE	557	543	467 (plus 45 Partial)	-76
Apprenticeships	622	541	484	-57
HNS	736 @ 42 days	800	779	-21

\* Elevated target including 10% added for dropout before 42-day census. Actual target is 4541 (inc. HNS)

\*\* Majority of Adult courses not enrolled yet, start throughout the year. 4200 enrolments this time last year.

PM- S reported that the 16-18 enrolment number is staying solid with a similar number of students enrolling and withdrawing each day. PM-S paid tribute to JP-B, JO, RG and their teams particularly Suna Marfe ( Marketing Director) for all their work in achieving this. The committee were delighted to hear about the 16-18 figures and congratulated the team on this excellent achievement.

Governors asked about contributory factors for this improvement noting a growth plan for each curriculum area, the work of the schools liaison team, new curriculum initiatives and new student enrolment and onboarding procedures.

JM asked whether any in-year additional funding is available for growth. This is not guaranteed and may require growth of nearer 15%. PM-S confirmed that the Group will aim to reduce sub-contracting and deliver more AEB internally.

JM asked for an update on this news to be given to all governors. PM-S agreed to provide an update to governors on 21<sup>st</sup> October and a more detailed breakdown at the governors' awayday on 7<sup>th</sup> November.

It was resolved to note the presentation

JP-B joined the meeting at 6.55pm

5. 5.1	<b>MANAGEMENT ACCOUNTS TO END JUNE and to END JULY 2022</b> Members reviewed the June and July management accounts presented by RD who focussed on the variances from budget. There was positive variance of £700k between the May and June management accounts - the main contributory factors were : <ol style="list-style-type: none"> <li>£754k positive variance in AEB as additional London Factor funding from the GLA was recognised very late in the year in funding reports. The London Factor accounts for £605k of the increase in the AEB forecast in June.</li> <li>C £200k Reduction in forecast re-structuring costs due to staff accepting redeployment</li> <li>Negative variance of £450k increase in staff costs due to the non-consolidated pay award in recognition of the increased cost of living recognised in the June management accounts, combined with the pay award agreed for 2022/23, with the increase partially compensated by savings identified by the ALS team in June.</li> </ol> <p>As a result, the EBITDA position improved by £345k on budget in June.</p>
5.2	RD reported on further variances between June and July management accounts: <ul style="list-style-type: none"> <li>AEB increased by £100k largely due to increase in delivery by Business centre. A number of Schools also increased ALS delivery to AEB funded learners</li> <li>Staff costs savings at year end of c£350k mainly attributable to ALS delivery. Including £200k saving on agency expenditure.</li> <li>Reduced restructuring costs reflecting actual outcomes at the end of the IR process after some staff accepted redeployment</li> <li>Buildings cost savings</li> <li>Exam fees savings of £97k due to lower level of re-sits than forecast</li> <li>ESF Project- The forecast income from the ESF project increased but the cost of subcontracting the delivery increased significantly as the GLA have advised that Colleges can only retain 10% of the funding. (previous forecasts assumed retention of</li> </ul>

	58%.) The charge in the current financial year includes allowance for understatement of subcontracting costs since 2019/20.
5.2.1	The draft year end management accounts indicate that the group generated an EBITDA of £4.8m for the year against the June forecast of £4.3m.
5.2.3	The Group returned 'outstanding' financial health for the year. The Committee congratulated management on this outstanding financial outturn .
5.2.4	DC asked whether the college debt will be affected by interest rates increases and RD confirmed not as the loan debt is on a ( high) fixed rate agreed by STC. RD confirmed that if the College were to draw down on the RCF then that would be at an increased interest rate. HM reminded the committee that before the conclusion of the ONS decision on the re-classification of colleges the DfE have asked that FE Colleges do not incur new borrowing.
5.2.5	RF asked how the college can achieve outstanding financial health for 2022/23. RD confirmed that this would be very difficult in a year of exceptional challenges – significant increases in energy costs and other cost of living increases. PM-S reported on pressure from Trade Unions for pay rises as well as the need to be conscientious about spending well to continue to improve the student experience by investment in the college estate.  It was <b><u>resolved</u></b> to note both sets of management accounts. JM thanked RD for the very clear commentary .
5.3	<b>CFFR RETURN FOR ESFA JULY 2022</b>
5.3.1	This return was submitted to the ESFA by the 31 July deadline. The forecast and budget had been previously reviewed by this committee and approved by the Corporation. The return confirmed the Group's Financial Health for year ended 31/7/22 as Outstanding and forecast for year ending 31/7/23 as Good. The first year of the plan is consistent with the 2022-23 budget. The numbers in the plan for 2023-24 include growth in 16-18 numbers as per the target in the College Strategic Plan.
5.3.2	It was <b><u>resolved</u></b> to note the return.
5.3.3	JM commended the commentary accompanying this return setting out the history of the current financial position of the Group.
5.4	<b>FEC FINANCIAL BENCHMARKS – JULY 22 REVISIONS</b>  RD reported that these were introduced in March 2021 and run parallel to the ESFA benchmarks. The FEC benchmarks come into play where colleges are subject to support and intervention by the FEC. STCG does not meet two of the FEC benchmarks( the staff to income efficiency ratio of less than 65% and the debt service ratio of less than 2) despite having Outstanding Financial Health according to the ESFA assessment.  It was <b><u>resolved</u></b> to continue to monitor the College's performance against these benchmarks.  <i>RF left the meeting at 6.30pm</i>
5. 5	<b>STAFF PAY AND INDUSTRIAL ACTION UPDATE</b> This item is set out in the Confidential Minutes.
5.6	<b>ONS CLASSIFICATION OF COLLEGES</b>
5.6.1	PM-S reported that the DfE are acting as though the re-classification of colleges to the Public Sector is a foregone conclusion. The AoC expect that if the re-classification goes ahead there will be a transitional period for implementing the resulting changes.
5.6.2	PM-S reported that some colleges are currently setting up Arm's Length Foundations, as happened in Scotland , to limit their exposure to the effects of being classified as public sector. That action was taken when Scottish Colleges were told that their reserves at the

	<p>end of the financial year would be given back to the government ; as a result, they moved their reserves out of Colleges through the use of Arm's Length Foundations. Should similar be announced in the UK work will need to be done in response by STCG possibly using its subsidiary KSEP Ltd.</p> <p>It was <u>resolved</u> to note this update.  <i>AH left the meeting at 7.00pm</i></p>
6.	<p><b>ESTATES STRATEGY PROGRESS UPDATE</b></p> <p>6.1 The Deputy CEO presented a Confidential Estates Strategy Progress Update paper. The key items are reported on below:</p> <p>6.2 <b>Sale of Richmond Road Parcel of land update</b> Exchange of contracts took place on 21st July 2022. Hollybrook has 36 weeks from then to submit a planning application. It is anticipated that planning permission could take up to 12 months from validation and once achieved will trigger the payment of the remaining premium following the completion of the enabling works- if all goes to plan towards the end of 2023-24.</p> <p>6.3 <b>Wandsworth Retail Units</b> The report detailed an offer received for a long lease ( 15 years) of the retail unit which the college was being advised to accept by their marketing agent.</p> <p>6.4 <b>Kingston College - Kingston Hall Road Development Project</b> This is the first phase of the project to refurbish and update the Kingston Hall Road site. The agreed date for practical completion of 22<sup>nd</sup> July was not met. Since 26<sup>th</sup> August, the College took up occupation of some areas of the new build, necessitated by the need for operational use for the start of term. A partial practical completion certificate was issued to enable College access and use of the main atrium and first floor mezzanine. Since 12<sup>th</sup> September, all areas of the project are in operational use but there remains a substantial amount of incomplete work and snagging which will not be fully completed until the October half term.</p> <p>6.5 <b>Energy Costs</b> The College appointed Trident Utilities as an Energy Broker and Analyst. They held a tender process which resulted in the appointment of Brook Green as supplier for Gas and Electricity from October 2022 on a flexi contract for three years at a fully delivered cost. This enables STCG, to some extent, to take advantage of any price reductions as well as hedge against price rises. The commodity cost of Gas and Power will be procured through Brook Green, under the supervision of Trident, via trading on the wholesale market within the supply parameters/volumes in accordance with the procurement strategy previously agreed.</p> <p>6.6 For the current year the officers decided to fix 100% of gas and electric prices rather than to utilise the variable percentage approach allowed under the flexi-contract. The total Gas and Electricity budget for 2022/23 is £4m. Assuming that energy consumption does not grow substantially from 2018-19 (the most representative year used to estimate costs) the budget should not be exceeded. Officers are attempting to determine the approach to be taken for 2023-24 and beyond and the modelling on that will be brought back to the committee. The Committee noted that had the price not been fixed in the summer and instead the College was fixing this now, this would have increased by another £1.5m.</p> <p>It was <u>resolved</u> to note this update</p>
7.	<p><b>TERMS OF REFERENCE AND SELF- ASSESSMENT OF WORK OF COMMITTEE FOR 2021-22</b></p> <p><b>Terms of Reference</b> Members considered the committee's Terms of Reference and it was <u>resolved</u> to recommend the <b>Terms of Reference (as attached to these minutes as Appendix 1)</b> for approval by the Corporation.</p> <p><b>Planned Business for the Year</b> It was <u>resolved</u> to agree the revised Planned Business for the year -attached to these minutes.</p>

7.2.1	<b>SELF ASSESSMENT OF WORK OF COMMITTEE FOR 2021-22</b> The Committee considered a checklist of questions to prompt their self-assessment of the committee's effectiveness for 2021-22.			
7.2.2	The Committee reviewed the current schedule of meeting dates which were based on the meeting dates agreed last year and did not require any changes to these. The Committee discussed whether to hold any of their meetings this year face to face but all agreed that these work well as virtual meetings and to continue on that basis.			
	<b>NEXT MEETING</b> The next meeting will be a virtual meeting on Thursday 24 November 2022 at 5:30pm until 7.30pm. The last hour of that meeting will be convened as a Corporation Meeting to receive a presentation of the Financial Statements from the auditors.			
	The meeting closed at 7:15pm  Chair..... Date:.....			
<b>Action points</b>		<b>Responsible</b>	<b>Deadline</b>	<b>Signed off</b>
1.	The Election of vice-Chair was deferred to the next meeting	HM	Nov 22	
2.	PM-S to share updated enrolment data with governors on 21 <sup>st</sup> October.	PM-S	21 Oct 2022	
3.	Approach for 2023-24 and beyond energy costs and the modelling on that to be brought back to the committee	RG	Nov 22	

**Appendix 1:  
Terms of Reference, Membership and Delegated Authority  
Finance Planning and Resources Committee**

**Financial Responsibilities**

1. To advise the Corporation on financial matters.
2. To recommend to the Corporation for approval:
  - Financial Budget for the Year
  - Financial Forecasts
  - Mid-year revisions to Budget for the Year
  - Medium and long-term Financial Strategies
  - Student tuition fee and charges policy
3. The Finance Committee in the first instance to review the financial information and commentary in the year-end accounts, and once reviewed, to inform the Audit Committee of the outcomes of their review and recommend, together with the Audit Committee, the Annual Financial Statements of the College Group to the Corporation for approval.
4. To consider the content, format and quality of management accounts.
5. To review arrangements for:
  - ensuring the effective and efficient use of resources,
  - securing value for money,
  - maintaining solvency,
  - the safeguarding of assets.
6. To determine investment and borrowing policies.
7. To monitor, review and advise the Corporation on the consequences of the operations of subsidiary and connected bodies.
8. To receive reports on student enrolments and achievement against funding targets.
9. To monitor and report to the Corporation on the performance of the London Pension Fund Authority and to make appropriate recommendations.
10. To review relevant benchmarking data and set appropriate related performance targets.

**Human Resources Responsibilities**

11. To consider and advise the Corporation on strategic HR matters, including recruitment, retention, and staff development.
12. To recommend to the Corporation, a framework for the pay and conditions of service of all staff other than the holders of senior posts and the Head of Governance.
13. To ensure that appropriate HR policies are adopted and published.
14. To consider and advise the Corporation on restructuring proposals.
15. Obtaining external expert HR advice when considered necessary

**Estate Responsibilities – either directly or through the Estates Sub-Committee**

16. To consider and recommend to the Corporation a medium and a long-term strategy for the College estate.
17. To consider and advise the Corporation on the acquisition, maintenance and disposal of the College estate.
18. To monitor and report to the Corporation on major capital projects.

19. Obtaining external expert property related advice when considered necessary.
20. The Committee has set up an Estates Sub-Committee to oversee the estate-related responsibilities of this committee. The members of the Estates Sub-Committee are all members of the Finance, Planning and Resources Committee. It only meets separately when there are a significant number of Estates matters to be considered requiring a separate meeting. The Estates Sub-Committee reports either to the next Corporation or Finance, Planning and Resources Committee, whichever meets first.

#### **Board Assurance & Risk**

21. To provide a termly opinion to the Audit Committee on risk areas and assurance levels allocated to the committee.

#### **General**

22. Obtaining external expert advice when considered necessary.

#### **Delegated Authority**

The approving of contractual arrangements for banking and insurance.

The determination, through the Panel established for that purpose, of appeals relating to applications for voluntary severance and redundancy.

To commission an investigation of any activity within its Terms of Reference and in order to do so has the right of access to obtain all the information and explanations it considers necessary, from whatever source, to fulfil its remit.

Obtaining appropriate external advice when considered necessary.

Additional authority to be delegated by the Corporation when so resolved.

#### **Proposed Membership**

The Committee to consist of 7 nominated members, of whom one will be the Group Principal / CEO. Other senior management staff may not be members of the Committee but the Deputy CEOs and Finance Director will attend all meetings of the committee and other senior managers may be invited to attend meetings as required.

#### **Quorum**

A quorum of the Committee shall be three members.

#### **Clerk**

The Head of Governance shall act as Clerk to the Committee.

#### **Chair**

The Committee members shall annually elect a Chair and Vice-chair at the first meeting of the academic year.

#### **Reporting Responsibilities**

The Chair of the Committee shall report formally to the next Corporation meeting on the proceedings of the Committee on all matters within its duties and responsibilities.

The Committee shall provide a termly opinion to the Audit Committee on risk areas and assurance levels allocated to the committee.

Reviewed September 2022

Next review September 2023

## APPENDIX 2

### FINANCE, PLANNING & RESOURCES COMMITTEE PLANNED BUSINESS FOR THE YEAR

	Autumn 2022	Spring 2023	Summer 2023
<b>Governance</b>			
Apologies & Declarations of Interest	*	*	*
Election of Chair and Vice-Chair	*		
Minutes & matters arising	*	*	*
Terms of Reference & Planned Business	*		
<b>Financial</b>			
Draft Financial Statements for the year ended	*		
Funding Outturn previous year	*		
Enrolment Review current year	*		
College Accommodation Update	*	*	*
IFMC		*	
Students & Tuition Fee Policy		*	
Management Accounts Review		*	*
Financial Regulations and Procedures		*	*
Bad Debts		*	
Governors' Budget Revision: current year		*	
Benchmarking Data		*	
Financial Forecasts & Budget for next year		Agree key assumptions	*
Financial Policy Updates	*	*	*
Cash Management & Investment year ended	*		
Man. Accs. - Fin. Statements: Variances	*		
Reports from Subsidiaries	*	*	*
<b>Human Resources</b>			
Strategic HR Policies, Strategies and issues	*	*	*
Framework for Pay & Conditions non-SPHs	As required	As required	As required
Key Performance Indicators	*	*	*
Pension Fund Updates	*	*	*
<b>Property</b>			
Estate Strategies	*	*	*
Estate acquisitions, maintenance & disposals	*	*	*
Major Capital Projects	*	*	*
<b>Other matters</b>			
Board Assurance review	*	*	*
Any other business	*	*	*
Date of Next Meeting	*	*	*