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SOUTH THAMES COLLEGES GROUP

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	17 April 2018
Members	Mr G. Allen Dr J. Brumwell (By conference call) Mr D. Cheema Mr E. Gilbert Mr J. Hick Mr P. Mayhew-Smith - Group Principal / CEO
In Attendance	Ms. R. Devan - Director of Finance Mr R. Greenaway - Deputy CEO, Finance and Resources Mr C. Wright - Deputy CEO, Quality and Performance – for part of the meeting Mrs H Meredith - Head of Governance

Key Meeting Outcomes

1. **APOLOGIES**

1.1 Apologies were received from Mr K. Hossain.

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.

4. **CONFIDENTIAL ITEM**

This item was taken first and the minute is recorded in the Confidential Minutes

The Deputy CEO, Quality and Performance left the meeting at 7:10pm.

2. **MINUTES OF MEETING OF 6 MARCH 2018 AND MATTERS ARISING**

Accuracy. The minutes were accepted as an accurate record and signed by the chair.

Matters arising Members noted the following updates:

VAT on subcontracting management - the Chair asked for a worst case quantification for the next meeting	DoF	April 2018	Deferred to June 2018 meeting
The Committee should receive a capital update report each meeting	DCEO	June 2018	See management accounts
Carshalton/ Merton rationalisation: the Chair asked for details of space utilisation based on the square footage for the next meeting.	DCEO	June 2018	To be presented at 11th June Corporation Strategy Planning day
A clear Reserves Policy should be agreed at the next meeting;	DoF	June 2018	Item 3 on this agenda
The Chair asked for more information about the reason for the levels of work related stress at STC.	DHR	June 2018	June 2018 FPR meeting

3. **FEBRUARY 2018 MANAGEMENT ACCOUNTS**

3.1 The Director of Finance presented the February 2018 management accounts. The group generated an EBITDA of £253k against a profiled budget of £2.6m in the year to date

3.2 A number of finance review meetings were held across the Group in March, and the Director of Finance presented to the committee the most significant changes to forecast income and

	expenditure. The Committee discussed these and raised questions about these. **1) Restructuring costs** The budgetary targets for next year indicate that the Institutional Review this year is likely to have significant cost implications. The restructuring cost forecast had been increased by £700k this month to recognise the cost of making the required staffing changes in order to improve efficiency next year. Governors asked about the timing of the costs – the intention is that staff will leave by the end of the financial year and the restructuring costs will fall into 2017-18 but some may be incurred in August 2018 in the next financial year. Governors asked about the impact of the increased restructuring costs on EBITDA and the bank leverage covenants. The Director of Finance reported that at a recent meeting the bank had informally indicated the possibility of discounting the restructuring costs from the EBITDA position for the purposes of the covenant. Work has started on this extensive restructuring which will result in reducing staff costs by approximately 10% (£4m). The Group Principal reported that there had been approximately 50 applications for Voluntary Redundancy. Governors asked whether the HR team have sufficient resources to deal with a restructure of this level and the Deputy CEO confirmed that additional resources have been allocated to the Director of HR to provide additional capacity to manage the process. Governors asked about consultation with and response from the Trade Unions noting that the unions have been advised that in order to fund a 1% Cost of living increase the level of savings would need to be increased. The Committee was advised that this equated to approximately 15 more FTE posts. **2) Adult Education budget** Previous forecasts indicated that the Group will deliver marginally above the tolerance level of 97% of the grant. However, as there were a number of significant risks such as the level of planned future delivery, an allowance equivalent to 5% of the total grant was made within contingency to allow for failing to remain above the tolerance level. Based on actual enrolments in January and February (compared to planned), the indications are that the actual grant generated will only amount 91% of the allocation. The Group will shortly make a final decision on whether to seek to restate the grant allocation for the year to £12,362,000. This would allow retention of the full allocation as 91% of the original allocation amounts to 97% of the proposed revised allocation. As aspects of the forecast are still uncertain (e.g. only £200k of the sub-contracted value of £2.1m has been claimed to date), and the Business Centre still retains a larger target (£1.8m) than the £1.5m recognised in these forecasts, restatement is being deferred to a late stage in the year by College management who had recently met with ESFA to discuss and agree these proposals. **3) ESF Income and costs** On the return of the ESF project manager to work, more detailed information has become available on the LDD project. It has recently been identified in a finance monitoring meeting that of the forecast franchising expenditure, £150k is due to Schools within the College and not external partners. It was also identified that the 'franchising costs' associated with the Careers cluster project are not true franchising costs, but amounts set aside for funding school projects. The College's own expenses that are to be held against the project were not being fully accounted for. The project contribution has therefore improved following the review. Based on the College's history, the risk of not delivering the full allocation by year end was highlighted to the Committee.
3.3	Action being taken to target curriculum savings has included reviewing the performance of each cost centre and the introduction of a target of 50% for each curriculum delivery area and a 45% contribution at each College within the Group. Governors noted that to achieve this some areas will have to implement significant cost savings measures and it may not be possible that all costs centres will be able to achieve this level of contribution in 2018-19. Some areas already contribute more than 50% but some areas are at only 25% contribution level currently. The Group Principal reported on the work being undertaken to introduce fundamental culture change and ownership of budgets by some managers.
3.4	Governors reviewed the Cashflow forecasts and the Chair thanked the Director of Finance for identifying the net cash flow from operating activities, cash flow from investing activities

	and financing activities and the decrease in cash in the year. This highlighted that the CAPEX almost exactly matched the year end reduction in cash.
3.5	Members found the graph of cashflow forecast useful for highlighting the negative trend. The Chair asked that for future the graph should also include a line indicating the minimum cash required under the bank's covenants. Governors noted that the cash impact of any settlement in respect of the Confidential Matter was not reflected in the cash flow forecast, in line with The College's legal position and that any cash settlement would have a detrimental impact on The College's cash position.
3.6	In response to questions about catering and the catering subsidy the Deputy CEO confirmed that the Group needs to review this but this is not of the highest priority currently.
3.7	Members discussed some strategic issues including ways of generating cash (asset sales, improving financial performance or reducing CAPEX) and noted that this will be discussed in depth at the Corporation Strategy Planning day on 11th June 2018. The Strategy day will also include detailed options for the Group Property Strategy and further discussion of the Group's position in relation to other neighbouring colleges undergoing Structure and Prospects Appraisals.
3.8	Members discussed the Reserves Policy. The Deputy CEO suggested a starting point of the Bank's minimum cash balance covenant (£5m) with additional reserve holdings based on the level of risk facing The College. The Chair suggested categorising risk as high, medium or low and setting the level of reserves according to the level of risk attaching to income as the purpose of reserves are to allow for the unexpected The Chair had indicated previously that he felt that the level of reserves should be nearer to £7M or even £7.5m based on The College operating in a highly challenging environment.
3.9	The Chair asked whether there will be less volatility with the figures next year. The Director of Finance reminded the Chair about the uncertain environment (as an example noting the loss of HE enrolments at Kingston in 2017 due to decisions made by Kingston University in August and September 2017). The Director of Finance confirmed that the budget setting process will utilise the robust process that has been used at KC and Cc for a number of years and that reporting next year will allow direct comparisons between the colleges.
3.10	It was **resolved**: to note the management accounts.
5.	**EFSA FINANCIAL HEALTH GRADE**
5.1	Members noted the letter from the ESFA which had been presented to the March 2018 Corporation meeting. Although the letter refers to the College as 'South Thames College', the 2016/17 financial statements and historic data are those of Kingston College. The forecasts for 17/18 and 18/19 are South Thames Colleges Group forecasts. The Group Principal will ask the ESFA to correct the letter.
5.2	It was **resolved** to note the Report

Action points		**Responsible**	**Deadline**	**Signed off**
From this meeting				
	The Chair asked that for future the cashflow graph should also include a line indicating the minimum cash required under the bank's covenants.	DoF	June 2018	

Date of Next Meeting	The next meeting will take place on Tuesday 19 June 2018@ 6:30pm at Carshalton College. The meeting closed at 8.20 pm. Signed: ……………………………............Date:………………………………