

**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)

<b>Meeting Title</b>	Finance, Planning and Resources Committee		
<b>Date</b>	22 January 2019		
<b>Members</b>	Mr G. Allen		
	Dr. J Brumwell		
	Mr D. Cheema		
	Mr E. Gilbert		
	Mr J. Hick	-	Chair
<b>In Attendance</b>	Mr P. Mayhew-Smith	-	Group Principal / CEO
	Ms. R. Devan	-	Director of Finance
	Mr D. Fraser	-	Director of Human Resources- for part of meeting
	Mr R Greenaway	-	Deputy CEO
	Mr A. Slade	-	Principal, South Thames College
	Mr M. Tweedale	-	Principal, Kingston College
	Mrs H Meredith	-	Head of Governance
<b>Key Meeting Outcomes</b>			
<b>1.</b>	<b>APOLOGIES</b>		
1.1	Apologies were received from Mr Hossain. The Principal, Carshalton and Merton Colleges and the Director of Facilities who normally attend meetings also sent apologies.		
<b>1.2</b>	<b>DECLARATION OF INTEREST</b>		
	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.		
<b>2.</b>	<b>MINUTES OF MEETING OF 22 NOVEMBER 2018 AND MATTERS ARISING</b>		
	<u>Accuracy.</u> The minutes were accepted as an accurate record and signed by the chair.		
	<u>Matters arising</u> Members noted the following updates:		
	The Chair asked for the HR termly report to be presented to the January 2019 meeting.	DHR	22 Jan 19 See Item 8
	The Chair asked for comparable data showing pay and grading variations across the Group for the next meeting.	DHR	22 Jan 19 See Item 8
	Members asked in future for termly franchising reports broken down by partners.	DCEO	Each term See Item 7
	Budget year end line to be shown on the cashflow forecast graph.	DCEO	22 Jan 19 Discussed under Item 5
	Set up a property sub-committee of this committee	HoG	Dec 2018 To be discussed further
	Members asked for the full Risk register for the next meeting	DCEO	March 2019 March Meeting
<b>3.</b>	<b>OUTCOME OF THE REVIEW OF THE GROUP'S CATERING SERVICES</b>		
3.1	The Deputy CEO presented a report advising the committee on external consultancy advice taken on the Group's future catering strategy and to highlight the advantages and disadvantages of in-house or outsourced catering services. The advice was to review the existing catering models to achieve benefits from delivering a consistent catering experience to students and staff at all sites either through a directly managed or contracted out service.		
3.2	Members asked whether in house teams could be encouraged to bid for a contracted out service and the Deputy CEO felt that this could be difficult to facilitate but could be an option to propose to the Trade Unions.		

3.3	Members asked about the investment needed in catering equipment. The Deputy CEO confirmed that any parties bidding for the contract would have to identify their proposed level of investment as part of their tender bid and Mr Gilbert felt from his experience of the school sector that it should be possible to find a contractor prepared to make the investment without requiring any subsidy from the Group.
3.4	Members noted the proposal to undertake a 30 day consultation with staff and trade unions on whether to move to a fully in-house provision or to commence a tender process to out-source from next academic year.
3.5	It was <b>resolved</b> to note the Report.
4.	<b>CONFIDENTIAL ITEM</b>
5.	<b>OCTOBER / NOVEMBER 2018 MANAGEMENT ACCOUNTS</b>
5.1	The Finance Director presented the November 2018 Management Accounts. Members noted that the group generated an EBITDA of £4.5m against a profiled budget of £4.6m for the year to date. The forecast month indicates that the outturn EBITDA will be £324k less than budget, after allowing contingency of £659k. The forecast remains largely unchanged from that reported in the November management accounts, as no finance meetings were held in December.
5.2	The net change identified this month (minor improvement of £22k) has been added to the contingency forecast pending the detailed review of all forecasts in January 2019.
5.3	Other grant income introduced this month refers to the Strategic College Improvement Fund (SCIF) grant. Expenditure associated with the project (£169k) is included in the equipment and materials forecast, and a further £50k of expenditure is held against the existing agency salary forecast.
5.4	It was <b>resolved</b> : to note the management accounts.
6.	<p><b>ESTATES STRATEGY UPDATE</b> The report was presented by the Deputy CEO.</p> <p><b><u>Kingston Drapers Court</u></b> The report included a recap on the loss of a buyer for Drapers Court and the unsuccessful LEAP capital grant funding bid outcome as relayed to the committee on 7<sup>th</sup> December and to the Board on 11<sup>th</sup> December 2018 and subsequently by email. Members noted:</p> <ul style="list-style-type: none"> <li>• The investment fund purchaser for Drapers Court withdrew due to political uncertainty. The Group's agents are re-marketing the property to previously interested parties and a wider market at the previously advertised price;</li> <li>• The Group's agents have also been instructed to commence the marketing for rental of the two floors to be vacated at Drapers Court and viewings are taking place.</li> </ul> <p><b><u>Kingston Hall Road</u></b> Members discussed the intention to continue to plan for the delivery of (a) (c) and (d) below and depending on affordability possibly some aspects of (b).</p> <ol style="list-style-type: none"> <li>a) Enhancement and modernisation of the main Kingston College estate by updating the entrance, façade and new glazing;</li> <li>b) Creation of an open plan entrance hall, new student hub and dining experience on the ground floor and new LRC on the first floor;</li> <li>c) Installation of new lifts (approved in 2017-18) due to commence this month with the work to take 12 months;</li> <li>d) Disposal of excess property.</li> </ol> <p>6.2.2 Given the position in relation to Drapers Court and the LEAP fund bid outcome the Group had instructed property advisors to prepare revised plans and feasibility work for a scaled down</p>

	Kingston College development project. Members reviewed a detailed report from the external project advisors including a confidential estimate of the cost of these projects.
6.2.3	Members discussed the fees associated with developing the design to RIBA Design Stage 3 estimated c£375k including VAT. These fee proposals would also allow for a procurement exercise for the construction works to be completed, assuming the project is tendered at the end of RIBA Stage 3. Members asked about the impact of this level of expenditure on cash flow and reviewed cashflow forecasts. Members also considered the parameters set by this committee in March 2018 including that the College should only commit to capital expenditure through what it receives each year from cash generated by EBITDA or in-year property disposal receipts. Members discussed the £2m receipt anticipated on exchange of contracts on the Wandsworth disposal in March 2019 with the balance on completion in summer 2019. From those proceeds approx. £1.2m will be required for decant and operational works.
6.2.4	It was <b>resolved to recommend to the Corporation</b> that the Group should commission feasibility works costing up to £375K in relation to the Kingston Hall Road Development project on the basis that the impact of this expenditure on the cash position would be compensated by Wandsworth capital disposal receipts.
6.3	<b><u>Wandsworth</u></b>
6.3.1	Members noted that the sale of part of the Wandsworth site will mean that the Bank may require a revaluation of the Wandsworth site and this was likely to result in the need for additional security to be provided to the bank to meet a loan covenant. The plan is to provide any additional security over the Richmond Road campus. The required approval of the sale from the ESFA should not be an issue because the disposal is for educational use.
6.3.2	<b><u>Wandsworth Retail Project</u></b> Members noted that the Group have been notified of a delay in practical completion of the development. The Group has challenged the grounds for the delay and has requested a formal response to its concerns before determining whether to challenge the grounds for the delay.
6.4	<b>Advancing Phase Three Projects</b>
6.4.1	The Committee at its last meeting encouraged the Group to bring forward some aspects of its Estates Strategy in order to make an earlier contribution to operational savings. The report detailed work undertaken in response. The Chair asked about the capacity of the senior team to progress these projects and whether more resource is needed. The Deputy CEO estimated (as identified in the report) that at the present time professional fees necessary to engage additional capacity and expertise needed to progress the phase three projects will be around £70k as follows: <ul style="list-style-type: none"> <li>• Merton and Carshalton rationalisation: £20k</li> <li>• Tooting feasibility – travel study and decant assessment: £20k</li> <li>• Test the feasibility of Kingston hall Road Stage Three Disposal: £30k</li> </ul>
6.4.2	The Committee were pleased to see that this work is being undertaken and noted that this forecast expenditure will appear in future management accounts.
6.4.3	The Chair identified the proposed savings of £ 690k ( page 16 ) from the combined total of all three phases of the Estates Strategy pointing out that these savings represent less than half of the savings proposed in the estates strategy approved by the Corporation last year. TheGroup Principal highlighted that savings from Tooting may be difficult to achieve from such an important site for the Group within that community but this would be tested through the feasibility work identified above. The Chair stressed the need for governors to hold the Group to account for the savings of £1.4m proposed in the original Estates Strategy emphasising that the proposed savings without the sub-let of Drapers and Tooting sites are are not even close to this.
6.4.4	Member challenged the paper's focus on the reduction in size of just the Merton campus. The Deputy CEO explained that this approach was indicated at the last meeting and arose

6.5	<p>from advice the Group had received that the restrictions on the Carshalton site, compared to the Merton site would, mean the Merton site would generate the highest and/or more achievable capital return. The Chair challenged this assumption as this would result in disposing of Category A buildings and retaining Category C buildings. The Chair asked for the priority of putting capital receipts above generating annual cost savings to be reversed and asked for further work to be undertaken to provide a comparable analysis for an extensive rationalisation of both the Carshalton and Merton sites.</p> <p><b><u>Air rights project Kingston</u></b> The report demonstrated that there might be a real possibility in relation to a future scheme noting that further work was needed including talking to the College Principal about the practicalities of such a scheme for the College from an operational perspective.</p>
6.6	It was <b><u>resolved</u></b> to note the Report.
7.	<b>TERMLY SUB-CONTRACTING/PARTNERSHIP REPORT</b>
7.1.1	The Principal, South Thames College, presented a report from an External Assurance Audit on subcontracting completed by Buzzacott LLP in September 2018. The audit will be reported to the Audit Committee. This confirmed that the systems and controls in place for managing sub-contracting during the 2017-18 period complied with the ESFA funding agreement rules. One recommendation was to ensure invoices are paid to sub-contractors within 30 days, as detailed in STCG subcontractor contracts.
7.1.2	At the November 2018 Corporation meeting governors asked for further assurance on the robustness of the procedures used to assess the suitability of sub-contractors, and to monitor their performance and compliance. As a consequence the Internal Auditors would undertake additional work to provide the Governing Body with this assurance and this work would also act as the External Assurance Audit for 2018-19.
7.1.3	It was <b><u>resolved</u></b> to note the report
7.2	<b>Partnership Contracts and Delivery 2018/19</b>
7.2.1	In November 2018 the Corporation approved the issues of sub-contracts in relation to ESFA Adult Education Funding up to a total value of £2,500,000 and under the separate Apprenticeship funding stream for subcontracting total value to be £350,000. This delivery supports the achievement of the ESFA Adult Education Budget (AEB) allocation. Any new partners have only been agreed if they support the Group's local strategic priorities. Contracts have been issued to 4 of the 9 partners approved by the Corporation. This equates to £2,450,000 of the £2,500,00 AEB allocation and £320,000 of the £350,000 agreed Apprenticeship allocation. Due diligence work undertaken since November 2018 has resulted in a decision not to issue a contract to Delrose Earle. Going forward approval to the engagement of sub-contractors will not be sought from the Corporation until the due diligence process for the current contracting year has been undertaken.
7.2.2	The report provided a detailed update on delivery to date and funding forecast for the year end with all AEB partners on track to deliver against allocations by the year end.
7.2.3	With regard to Apprenticeship delivery, circa £370,000 will potentially be utilised. Details of the delivery partners were detailed in the report.
7.2.4	It was <b><u>resolved</u></b> to note the report.
7.3	<b>New subcontractors</b>
7.3.1	<p><b>St George's Hospital</b> The Group are working with The Rose Centre at St George's Hospital to develop a new Apprenticeship standard in Mammography (breast screening). The Rose Centre is one of 5 national centres that deliver breast screening foundation degrees, post graduate practitioner programmes from level 4 to level 7. Previously these have been delivered in partnership with</p>

<p>7.3.2</p> <p>7.4</p> <p>7.4.1</p>	<p>Kingston University. The Head of Education at St George's is the lead radiographer for breast screening nationally and advises government on the subject and current state of the workforce. Currently the national workforce is 70% short of the number of breast screening practitioners required to deliver the service.</p> <p>The new mammography Apprenticeship standard was released in August 2018. St George's was an active member of the trailblazer group representing trusts nationally. To date no other provider in the country is delivering the programme. St George's Hospital are keen to work in partnership with the Group to deliver the programme. The Group has worked in partnership with St George's to plan the curriculum model to ensure delivery can be achieved through a block release arrangement, by the utilisation of an online learning platform and involving qualified practitioners from within the trusts. The funding for this sub-contract will come via the levy accounts of each individual NHS trust. The Apprenticeship has a maximum funding cap of £5,000 and will be delivered over 18 months, with the expectation they achieve in around 12-15 months. For the first cohort it is anticipated £40,000 will be required for 2018/19 delivery. St George's will be paid between 70% – 75% of the funding drawdown.</p> <p><b>TRP LTD</b></p> <p>Carshalton College has delivered an ESF Construction Skills project over the last three years primarily on a sub-contracted basis including to Wilmott Dixon (a large national construction company). The ESF contract is drawing to an end and although contractually it finishes in March 2019, no new activity can now take place. Wilmott Dixon wish to continue to receive services from the Group and it is proposed to subcontract this work to TRP Ltd – a successful local training provider that the Group has worked with over a number of years. Under this sub-contracting arrangement TRP would deliver, during 2018-19, the services required by Wilmott Dixon up to a funding value of £385,000 to enable the Group to maintain and develop its relationship with Wilmott Dixon.</p>
<p>7.4.2</p>	<p>It was <b>resolved</b> to recommend that the Corporation approves by written resolution procedure the following recommendations:</p> <ol style="list-style-type: none"> <li>1. To approve that overall adult education funding sub-contracting is increased to £2,850k and apprenticeship sub-contracting to £410k;</li> <li>2. that additional 2018-19 sub-contracts be awarded to: <ol style="list-style-type: none"> <li>i. St George's Hospital to a funding value of £40K (Apprenticeship Levy new funding) and</li> <li>ii. TRP Ltd for £385K (AEB funding)</li> </ol> </li> </ol> <p>on the basis that the due diligence undertaken on these partners revealed no issues of concern</p>
<p>8.</p> <p>8.1.1</p> <p>8.1.2</p> <p>8.1.3</p> <p>8.1.4</p>	<p><b>DIRECTOR OF HUMAN RESOURCES REPORT</b></p> <p>The Director of Human Resources presented a paper providing detailed HR metrics across the College Group and took questions from members on this. Members noted that 1,459 staff are currently employed by the Group. The staff turnover rate is currently 4.4%, which is based on 64 leavers since the 1 August 2018. This results in a projected annual turnover rate of 17.5%, which would be equivalent to 256 leavers. The absence rate is currently 3.63%, based on 1,522 days lost to sickness absence from 1 August 2018 to 31 October 2018.</p> <p>In response to questions the Group Principal confirmed that the wellbeing strategy for the Group is being written and a further wellbeing audit will take place this term.</p> <p>It was <b>resolved</b> to note the Report.</p> <p><b>Evaluation of the Institutional Review 2018</b></p> <p>The Director of Human Resources presented a report evaluating the May 2018 Institutional Review in which 89 colleagues were placed at risk of redundancy and 27 staff (5 compulsory redundancies) were made redundant. The report reviewed the learning from this process in respect of feedback received from staff and unions, and observations from the operational delivery of the IR process.</p>

8.1.2	<p>Members discussed issues from the report including:</p> <ul style="list-style-type: none"> <li>• the impact of travel to work time on re-deployment across the group;</li> <li>• pay protection in relation to the IR process;</li> <li>• the need to re-introduce a maximum weekly rate cap for the next IR process;</li> <li>• need to increase the period after which ex staff can be re-engaged;</li> <li>• Equality Impact Assessment findings indicating a possible negative impact shown by an apparently higher than average percentage of male staff and staff who had declared a disability who were made redundant. In response to questions from members about this the Director of HR confirmed that these will be investigated further as part of an internal review.</li> <li>• Members asked that future HR reports identify the impact on absence data of individuals undergoing performance management processes.</li> </ul>
8.1.3	It was <b>resolved</b> to note the Report.

<b>8.2</b>	<b>Pay and Grading Information</b>
8.2.1	The Director of Human Resources presented data requested previously by the committee detailing the existing pay structures across the Group and the maximum variances within the grades. Staff from the legacy colleges have remained on these salaries post merger under the terms of TUPE but the Group is using the KC pay and grading structure for new staff.
8.2.2	Governors asked about the impact of this. Members noted that TUPE protects variances but noted that the Group needs a modern pay and grading structure. The Director of HR explained that the unions have been told that the delivery of any outcomes arising from reviewing the pay and grading structure have to be affordable.
8.2.3	Governors asked about the cost risk of the increases to the Teachers Pension Scheme and it was agreed that figures for this should be reviewed at the next meeting. Governors also asked for data on Agency Costs for the next meeting.
8.2.4	It was <b>resolved</b> to note the Report.

Action points		Responsible	Deadline	Signed off
<b>From this meeting</b>				
<b>1</b>	Members asked that future HR reports also show data excluding individuals undergoing performance management processes which skew the data	DHR	June 2019	
<b>2</b>	Cost risk of the increases to the Teachers' Pension Scheme to be reviewed at the next meeting.	DHR	March 2019	
<b>3</b>	Agency Costs to be reviewed at the next meeting.	DHR	March 2019	
<b>4</b>	Equality Impact Assessment finding re IR to be subject to Internal Review	DHR	March 2019	

<b>Date of Next Meeting</b>	<p>The next meeting will take place on Thursday 14<sup>th</sup> March 2019 @ 6:30 – 8:30 pm at Merton College</p> <p>The meeting closed at 8:55 pm.</p> <p>Signed: .....Date:.....</p>
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