

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	24 November 2022			
Members	Dr J. Brumwell (JB) Mr D. Cheema (DC) Mr R. Foulston (RF) Mr J. Marshall(JM) - Chair Mr P. Mayhew-Smith(PM-S) - Group Principal / CEO			
In Attendance	Ms. R. Devan (RD) - Director of Finance Mr D. Fraser (DF) - Director, Human Resources Mr R Greenaway(RG) - Deputy CEO, Finance and Resources Ms S. Lockett (SL) - Director of Facilities Mr J. O’ Shea(JOS) - Principal, Kingston and South Thames Colleges Mrs H Meredith(HM) - Head of Governance For Item 8 Only: Members of STCG Audit Committee and other governors Mr M. Cheetham (MC) (RSM) Ms C. Biscoe (CB) (Buzzacott LLP)			
Key Meeting Outcomes				
1.	APOLOGIES			
1.1.1	Apologies were received from Cllr Holt and Mr Monger-Godfrey. Mr Foulston sent apologies in anticipation of joining the meeting late. Apologies were also received from the Principal, Merton and Carshalton Colleges who normally attends meetings.			
1.1.2	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 that Dr Brumwell, Mr Cheema and Mr Mayhew-Smith hold unpaid directorships of KSEP Ltd and Dr Brumwell, Mr Cheema and Mr Greenaway hold unpaid Directorships of KCTC Ltd.			
1.2	ELECTION OF VICE-CHAIR Mr Foulston was elected as Vice-Chair for the Committee for 2022-23.			
2.	MINUTES OF LAST MEETING OF 27 SEPTEMBER 2022 AND MATTERS ARISING			
2.1	Accuracy. The minutes were accepted as an accurate record to be signed by the chair.			
2.2	Matters arising Members noted the following updates:			
	The Election of vice-Chair was deferred to the next meeting	HM	Nov 22	See Item 1.2 above
	PM-S to share updated enrolment data with governors on 21 st October.	PM-S	21 Oct 2022	Shared at Awayday 7 Nov 22
	Approach for 2023-24 and beyond energy costs and modelling to be brought back to the committee	RG	Nov 22	College applying the approach agreed. Next review March 2023
	It was resolved to note the minutes.			
3.	BOARD ASSURANCE AND RISK AREAS (PART 1) JM reminded the Committee of the specific Risks allocated to the Committee under the Board Assurance Framework for the committee to consider when reviewing reports at this meeting:			
	<ul style="list-style-type: none">Declining or poor Financial PositionFailure or lack of availability of key infrastructure servicesStaff and Group performance detrimentally impacted by factors such as staff pay levels, wellbeing and morale, absence levels, turnover and recruitment difficulties etcFailure to embrace, contribute to, respond to or deliver on relevant National or Local Government policy or objectives			
	The Part II Confidential business was taken first. RF joined the meeting at 17.50pm			

4.	GROWTH STRATEGY / FINANCE
4.1	SEPTEMBER / OCTOBER 2022 MANAGEMENT ACCOUNTS
4.1.1	<p>The management accounts were circulated with the meeting papers and presented by RD. RD highlighted main variances between Annual Budget and Forecast reported in the September management accounts:</p> <ul style="list-style-type: none"> • The forecast level of AEB sub contracting has reduced by £500k because of Group's improved ability to earn AEB funding from the London Factor applied to GLA funded AEB. This means a saving of £400k in subcontracting costs and an increase of £900k on budget • The Strategic Development Fund project grant (not awarded at the time of setting budgets) is expected to contribute £190k to EBITDA • Allowance for implementation of pay and grading - improvement on budgeted performance means that the Group has been able to make an allowance for this and still generate an EBITDA above budget.
4.1.2	<p>From the October management accounts RD highlighted the following variances:</p> <ul style="list-style-type: none"> • Reduction in LGPS contribution from April 2023 (from 18.5% to 11.9% following the Triennial revaluation) with an impact in 2022/23 of a saving of £240k • Withdrawal of the 1.25% increase in employer's national insurance charge • Two grants – a new grant for the Multiply project and the SDF Green bid (as reported in September) will provide a total forecast contribution of £400k. • Release of part of provision made in 2021/22 for AEB subcontracting costs as subcontracting partners did not deliver as much as forecast • Increase in contingency to recognise the risk associated with the changes (£265k in total)
4.1.3	<p>It was <u>resolved</u> to note both sets of management accounts.</p>
4.2	PROPOSAL WHETHER TO REFINANCE FACILITY A
4.2.1	<p>At the last meeting, the Committee asked officers to explore opportunities for repaying Facility A and securing a new term loan at a lower interest rate. RD presented a report detailing the financial implications for re-financing this Facility now which members discussed. The break fee had reduced significantly since this was last explored but the cost of borrowing has increased significantly since March 2022. There is no net gain to be made from the College paying a break fee and re-borrowing the same amount because the break fee is calculated to ensure that this is equal to any interest rate gain that the College may make over the remaining life of the loan. This is described as a 'zero sum game'.</p>
4.2.2	<p>After consideration of the report it was <u>resolved</u> not to take any action to re-finance Facility A. The Committee also noted that if, as expected, Colleges are re-classified into the public sector, future borrowing by the college is expected to be limited by the DfE / ESFA.</p>
4.3	REVIEW OF GROUP FINANCIAL POSITION
4.3.1	<p>The Committee noted that the September and October Management accounts presented a very encouraging start to the year reporting an improvement on Forecast EBITDA of £667k on budget. JM congratulated the team for holding this position in an incredibly challenging environment. RD in response reported on the need for caution following recent finance monitoring meetings held recently with each of the curriculum areas (apart from HNS). Adult Learning Loans are currently significantly (£0.5m) down on budget and Apprenticeships are £250k down on budget and HNS are believed to be down on budget too.</p>
4.3.2	<p>RF asked about Local Authority funding for HNS and whether this continues to be difficult to manage. PM-S reported that the STCG lead has done a lot of groundwork on relationship building with the Local Authorities and a productive meeting with the LAs took place recently.</p>
4.3.3	<p>It was <u>resolved</u>: to note this position and how tough the environment is currently with the need to continue to monitor income and expenditure very closely.</p>
4.4	ONS CLASSIFICATION OF COLLEGES
4.4.1	<p>The Committee noted that the decision by the ONS is due on Tuesday 29 November 2022.</p>
4.4.2	<p>PM-S suggested that the College should hold a briefing for governors and officers on the</p>

	implications of any change to the public sector once the implications are known.
4.4.3	It was <u>resolved</u> : to note this update
4.5	STAFF PAY AND INDUSTRIAL ACTION UPDATE This item is minuted in Confidential Minutes.
4.6	REPORT FROM KCTC LTD ON MEETING HELD ON 24/11/22
4.6.1	Mr Cheema gave a report from the Board Meeting of 24 November 2022. Last year KCTC Ltd received a short-term loan of £300,000 from South Thames Colleges Group to fund the purchase of gym equipment to equip the sports facility at Carshalton campus which it leases to the facility operator. KCTC Ltd used capital allowances this year against this so there were no taxable profits to donate to South Thames Colleges Group.
4.6.2	Dr Brumwell and Mr Cheema will continue as Directors until the end of their term of office as Governors of South Thames College Group on 31.7.2023.
4.6.3	It was <u>resolved</u> to note this report.
4.6.4	2021/22 DRAFT YEAR END ACCOUNTS FOR KCTC LTD The Directors approved the Annual Report and Accounts for KCTC Ltd for year ended 31 July 2022 and the Letter of Representation for KCTC Ltd.
4.6.5	It was <u>resolved</u> to note the Report and Financial Statements of KCTC Ltd for the year ended 31 July 2022.
4.7	REPORT FROM KSEP LTD ON MEETING HELD ON 24/11/22
4.7.1	Dr Brumwell gave a report from the KSEP Board Meeting of 24 November 2022.
4.7.2	2021/22 DRAFT YEAR END ACCOUNTS FOR KSEP LTD The draft Report and Financial Statements of KSEP were approved by the KSEP Board on 24 November 2022 noting that there was no change as the company is dormant.
4.7.3	It was <u>resolved</u> to note the Report and Financial Statements of KSEP Ltd for the year ended 31 July 2022.
4.8	SUB-CONTRACTING TERMLY REPORT
4.8.1	The Committee noted that the Group currently manages two types of Subcontracting Provision. Adult Education (AEB) and Apprenticeships.
4.8.2	Sub-contractors for AEB provision are appointed from the Framework of sub-contractors that the Group established in 2019/20. A new Framework was completed in August 2022 with 17 new providers. A mini tender process has been completed and new contracts totalling £2m have been sent out to 5 successful partners : <ol style="list-style-type: none"> 1. Learning Curve Group 2. Aspire 3. The Skills Network 4. London Learning Consortium 5. Prevista
4.8.3	It was <u>resolved</u> to note the Report
4.9	SECURITY CONTRACT TENDER REPORT This item is minuted in Confidential Minutes.
5.	HR TERMLY REPORT
5.1	DF invited questions on the report which reported on HR metrics including the following: <ul style="list-style-type: none"> • The Group currently employs 1,372 staff. • The staff turnover rate is currently 7.8%, based on 107 leavers since 1 August 2022. • The absence rate is currently 2.8%, based on 2,137 days lost to sickness absence from 1 August to 31 October 2022.

5.2	<ul style="list-style-type: none"> an update on actions in response to the Gender Pay Gap. Updated action plan for managing long-term absence. Update on the impact and management of long COVID <p>JM asked why staff sickness levels are higher at Carshalton and Merton Colleges and DF explained that these relate to a number of ongoing disciplinary actions there.</p>
5.3	It was <u>resolved</u> to note the report.
6.	CAPITAL AND ACCOMMODATION ESTATES STRATEGY – PROGRESS UPDATE <p>The Deputy CEO reported on an Estates Item under Confidential Business.</p>
7.	REVIEW OF BOARD ASSURANCE RISK AREAS- Part II TO REVIEW RISK AREAS AND AGREE ANY POINTS TO REPORT TO AUDIT COMMITTEE
7.1	The Board Assurance Framework and Risk Management Policy includes a requirement for each committee to provide an assessment and opinion on risk areas falling within their Terms of Reference to the Audit Committee. Members discussed the risks.
7.2	The Committee assessed the Risk Areas allocated to it and was satisfied that the risk levels were correct and that sufficient controls and/or actions are being taken to manage the risk.
	<i>The meeting was joined at 6.30pm by the Audit Committee, Governors and internal and external audit services. The next part of the meeting was convened as a combined Finance and Audit Committee and Corporation Meeting so that the External auditors could present their findings at a Corporation Meeting</i>
8.	2021/22 DRAFT YEAR END ACCOUNTS AND REGULARITY AUDIT CHECKLIST
8.1.1	Reconciliation of Year End Management Accounts to Budget <p>RD presented a Reconciliation of the Year End Management Accounts to Budget and to the Financial Statements for the year ended 31 July 2022 highlighting:</p> <ul style="list-style-type: none"> Education specific EBITDA of £4.852 million (7.42%) was reported for the year. The Financial Health score is 'Outstanding' The Financial Statement Auditors provided an unqualified audit opinion
8.1.2	The report set out a number of reconciliations aimed at providing assurance of the reliability and accuracy of in-year forecasts reported to the Committee during 2022/23 as well as the actual outturn in the July 2022 (year-end) management accounts. Management accounts over the course of the year to the committee and to the Corporation had provided a detailed commentary on the variances between budgets and forecasts. This reconciliation provided commentary on the variance between the July forecast and the actual outturn which was unchanged from that reported in the year end management accounts.
8.1.3	It was <u>resolved</u> to note this reconciliation.
	<i>The following Agenda items were Chaired by the Chair of the Audit Committee</i>
8.2 and 8.3	<u>Financial Statements to 31 July 2022 and Post-Audit Management Report</u>
8.2.1	Members noted that an unqualified audit opinion will be issued. The auditors made no adjustments to the draft Financial Statements prepared by RD. The Post-Audit Management Report was presented by Ms Biscoe, Buzzacott LLP, who highlighted the following:
8.2.2	<u>Public benefit</u> <p>The disclosure that the college, as an exempt charity, needs to make to show how the college is delivering benefit to the public.</p>
8.2.3	<u>Going concern basis</u> <p>The auditors were satisfied that the Group is a going concern and the Financial Statements are prepared on a going concern basis. In signing the financial statements governors are</p>

	confirming that they believe STCG is a going concern for at least twelve months from approval of the financial statements. NR asked about the stress testing undertaken by the auditors in relation to going concern and CB confirmed the work undertaken and that college management have modelled scenarios including increases in expenditure.
8.2.4	<u>Risk Management</u> is also the responsibility of the whole Corporation
8.2.5	<u>Key performance indicators and other disclosures</u> There was discussion about reference to the college not having a Reserves Policy. The College's Finance Policy includes a section about the minimum cash at bank figure to be retained at all times but it has no formal Reserves Policy. JM confirmed that the Finance Committee will review next year whether to introduce a formal Reserves Policy.
8.2.6	<u>Unqualified audit opinion</u> The Financial Statement Auditors' clean unqualified audit opinion is set out on Page 36 confirming that there were no issues with regularity, propriety or compliance.
8.2.7	<u>Increase in net assets</u> The Group's total reserves increased by £57,824,000 (2021 – £5,199,000) during the year, providing net assets of £72,751,000 at the balance sheet date (2021 – £14,927,000). The significant increase in net assets was due to the £63,174,000 actuarial gain on the LGPS pension liability this year.
8.2.8	<u>Adjustments</u> Other than presentational amendments which have no impact on the reported results for the year there were no adjustments to the figures.
8.2.9	JM asked about any outstanding matters and CB confirmed that the only outstanding points are usual final items such as receipt of the signed Letters of Representation and confirmation immediately prior to signing the financial statements that no significant events have taken place since the audit that would impact on the financial statements.
8.2.10	CB commended the work done by RD and thanked her for her assistance and KD thanked CB and the team from Buzzacott and RD and the finance team for the huge amount of work involved in the audit.
8.4	LETTERS OF REPRESENTATION for South Thames Colleges Group and KCTC Ltd adopting a standard format were presented by Buzzacott and reviewed. CB confirmed that the Bank had given the confirmations required in relation to covenant compliance. The Audit Committee <u>resolved</u> to recommend that the Corporation approve the Letters of Representation for South Thames Colleges Group and KCTC Ltd.
8.5	REGULARITY SELF ASSESSMENT QUESTIONNAIRE RD confirmed that the checklist is a template provided by the ESFA completed to inform the work of the regularity auditors. The Audit Committee <u>resolved</u> to recommend this checklist for signature by the Group Principal / CEO and Chair of the Corporation.
8.6	The Audit Committee <u>resolved</u> to recommend that the Corporation approve the Post-Audit Management Letters on the year-end accounts 31 July 2022 for South Thames Colleges Group and KCTC Ltd. The Audit Committee <u>resolved</u> to recommend that the Corporation approve the Financial Statements for year-end 31 July 2022 for South Thames Colleges Group.
Date of Next Meeting	The next meeting will take place on Thursday 26 January 2023 at 5.30pm. KD thanked the members of the Finance, Planning and Resources Committee and other governors who attended to hear the Auditors' presentation. They then left the meeting at 7.15pm Signed:Date:.....

Action points		Responsible	Deadline	Signed off
From this meeting				
1	Approach for energy costs for 2023-24 to be reviewed	RG	March 2023	
2	FPR to review next year whether to introduce a formal Reserves Policy.	JM /RD/ RG	March 2023	