

Draft minutes

FINANCE & RESOURCES COMMITTEE MEETING

Tuesday 9 June 2020, 5:30-8:00 via Teams

Committee	Jim Marshall (Chair); Rosh Sellahewa; Ian Valvona (Chair of Corporation); Andy Chew; Sue Kingman (observer)
In Attendance	Diane Dimond (Interim CEO & Principal); Ian Rule (Interim Finance Director); Sheila Fraser-Whyte (Executive Director Business Development and Innovation); Alison De Lord (Assistant Principal); Garod Barker (Director of IT and Estates); Elaine McMahon; Sarah Connerty (Governance advisor); Ellie Woods (Board support)
Apologies	

Agenda item	Item Description	Action
1	Welcome and apologies The Chair welcomed the Committee. There were no apologies received.	
2	Declarations of interest There were no declarations received.	
3	RESOLVED: The minutes of the meeting of 10 March 2020 were agreed as a true and accurate record. RESOLVED: The electronic resolution on the Furlough of RuTC Trading Company staff (10 March 2020) was ratified.	
4	Actions and matters arising The Committee considered the matters arising and noted that items had been actioned. At the last Board meeting it had been agreed that the FRC would have oversight of the Financial Impact of Covid reports that IR is providing and this will be a standing item on the agenda. IV noted action 8 - Financial position of college/SPA: Question about whether a SPA is needed in the light of financial improvements made, to be raised at Steering Group meeting on 16 March 2020 – he reported that this had not been raised at the SPA process meeting in March. DD explained that she had raised the matter at a later meeting with the FEC. IV proposed that the College looks at the criteria from the ESFA around Notice to Improve and it was agreed to raise this at Friday's ESFA case conference as this may impact on the SPA decision. EM noted that she had been to a briefing session with the ESFA and FEC yesterday and it was clear that the SPA was continuing. The Chair noted from early discussions that standalone is on the table but there was a clear preference from the FEC for a merger. Since this point the College's situation has improved and the sector has changed due to Covid which has moved the College to a relatively good position. IV noted that it is incumbent for the FEC to state the reasons why the process is being run and for the ESFA to state why the Notice to Concern is still in place. DD noted that the FEC intervention is based around the College's Financial Health being inadequate and next year's forecast moves to Requires Improvement and is projected to improve from that point.	IV
5	Current position and forecast to year end: <ul style="list-style-type: none"> • Cashflow management including creditor management • Year-end outturn • April 2020 Management accounts • Cost Savings Phase 2 • Leasing 	

The Chair thanked IR and his team for getting the College to this position of financial reporting. He asked IR to present the item.

Commentary on management accounts:

- The management accounts are for period 9 and the funding summary is for period 10
- The trend of accounting has been set fairly consistently over the last four months. It is a good position and the FEC has commented positively on the improved process
- There are no new variances to report. The forecast has been reduced on commercial income. High needs student income has gone up and the forecast is conservative. Cashflow is not as positive as forecast in April due to lack of commercial income around Covid so is to be expected
- Leasing – the large part of the leasing is in place with a couple of packages left to do which is hoped will happen this month and by the summer the plans for leasing will be finalised. The delays are due to lock down. In the budget it is assumed that leasing stopped at August 2020 as the remaining leasing would come in after the Spring dip in cashflow and is therefore less helpful.
- High needs invoicing – the Local Authorities are now working well with the College and invoicing is happening as agreed. There are some issues around Lambeth and Wandsworth that are being addressed. The majority of the £47k will come through. It has not been included in the forecast
- Aged debtors – the position is not yet where the College would like it to be, but it is a developing piece. Reminder letters and escalation processes as part of the new finance system are now happening, but it is some months late. The Committee asked what provision there is for bad debts. IR reported that at the end of last year there was £60k provision for bad debts that hasn't been allocated yet. An additional provision will likely be required for this year, but the team is waiting a month for the reminder process to run its course and then IR will review and clarify with the Committee
- Creditors – a year ago this was a real problem area, but now the College is moving forward. Procedurally issues around purchase orders were causing a problem and following the upgrade to the finance system the process has been smoothed out. There has been a lot of manual effort from the finance team to get invoices paid
- The R10 funding report highlights that the forecast for apprenticeship income is lower than what is in the management accounts. There are a couple of positive variances so the net impact would be small, but it is not the best position to send out the report with a significant variance. This reduces the forecast by £100k. It will need to be revised through the IFMC as well because it impacts on cash.

IR asked the Committee for any questions at this point and the following were raised:

- In terms of numbers for creditors are there any individually large items. IR reported they are small but the £64k under redevelopment is for one IT supplier around completing works. GB reported that this relates to engineering days around the security pieces, the work has now been delivered and the invoice has come through. IR noted that within the overdue invoices there are a number of old invoices from over a year so there may be a historic issue with housekeeping.
- Are there any individually large debtors. IR reported that the large numbers are sitting within the Companies row. One of the experienced temps is working on the accounts and it is being well covered
- The Chair noted that although there is no significantly material downside around the apprenticeship forecast it is important it is highlighted so the Committee is aware of the areas of risk and exposure. IR noted that in the non-pay expenditure there are areas which are not expected to be fully utilised. For example, the security and cleaning contractors have been asked to rebate the College from the furlough schemes and the College fully expects there to be some savings. There has been a faulty electricity meter for a significant amount of time which needs to be resolved and IR is expecting a rebate from the estimated usage

The Chair noted that the College will be going into an unknown situation over the next 12 months. In the circumstances the College is forecasting quite a strong position, even providing a conservative surplus of £1.3m from last year. This is down from the last round of information that was provided to the ESFA which is unsurprising given the current climate.

The College is still getting to a good financial position in the IFMC model for 2021-22. IR and his team have managed to pull together a budget in difficult and unique circumstances with a very robust approach and he passed on his thanks to IR and the team.

The College is likely to be in a situation where a lot changes in the next few months.

Government guidance on social distancing will change and some of the assumptions made in the plan will change. The Chair explained that he didn't want the Committee to approve amendments to the budget every time a change is required but there may be a time in three months where there is a need to relook because so much has changed. He asked if the Committee were content with this approach re budgeting and re forecasting and it was agreed it was a sensible way forward.

IR reported on the proposed budget for 2020/21 as follows:

- The work has been developing over most of the year so what is presented is an iteration on what has been presented previously
- The detailed work is being shown to give assurance that the figures are fully grounded by cost centre analysis and that it has been reviewed with each budget holder. In particular the non-pay budget has been agreed by sitting down with budget holders
- The pay budget is based on the resourcing required to deliver the curriculum plan school by school
- Support areas have been worked through this year looking at sizing and re organising through the phase 1 and 2 restructure. There is a good level of detail supporting the figures
- There are some assumptions which will be discussed further as part of this item
- The budget has been put through the IFMC model despite the College not being required to do so. Next week a cash flow return will need completion and it is hoped this will merely involve transferring numbers across
- Everything ties together and has now been reviewed by Dean Ardron at ESFA. He has raised a few queries which will lead to revisions but nothing material
- The headline income is up on forecast largely due to the funding allocation for 16-18 being larger, but there are reductions in income from apprenticeships and commercial. Overall the net position is slightly up
- Staff costs as a percentage of income is 66.5% against a set a guideline of 65% (last year it was over 80% and this year just under 80%). The College is carrying some costs of interim appointments across the senior team/governance team, so costs are now factored into the budget. The previous forecast had assumed a permanent staffing budget. The £1.4m savings programme did have the required impact. Previously the model forecast for 20/21 did not properly account for non-cash pension entry which caused a £450k error and this has now been treated correctly. There is a £50k undershoot on the phase 2 cost savings due to a miscalculation in the catering department savings. The other £100k is costs of interim support for SPHs and governance
- Allocations have now gone to departments and contingency budgets have been kept back
- The cash position is one of the changes the ESFA picked up on. The IFMC model doesn't automatically recognise that the restricted cash is due to the redevelopment cash pot so that position will change from the numbers presented. The College will have to dip into

	<p>the redevelopment pot from Autumn 2021 to Spring 2022 to keep business as usual. But the ultimate position is still the same, with a similar dip during the March 2022 period and this is an area for the College to be alert to</p> <ul style="list-style-type: none"> • The proposed budget assumes option 1 for the sports hall development – to remarket the Haymarket site because the figures were available for this. In item 7 (Financial impact of Coronavirus) there are details of the implications of swapping to Option 2 which is forecast to have a benefit of £2.1m above current assumptions. AC proposed that the budget should be aligned to the strategy and noted that the Board will be asked to approve Option 2 as the preferred option at tomorrow’s Board meeting. IR reported that this can be changed for the July Board date. IR will ask Fusion how to phase the cash benefit. DD explained that there had to be a time where a line was drawn under the changes to the budget for presentation to the Committee and there are likely to be further adjustments to the budget to refine before it goes for final approval. IR noted that Option 1 is more challenging for the budget and pending clarity sticking with the more challenging option was a conservative approach. The figures for Option 1 are not fully worst case because they assume a sale for the site for £950k. • Departmental budgets version 3a – IR explained that this a printout from a much larger spreadsheet which includes all cost centres. It details the returns in the IFMC in early March 2020, a draft budget column and the movement is the difference between the two. A negative movement is an increase in income. The College has an ESFA allocation of just over £10m for 16-18, which includes the teacher pension grant of £318k. A process to allow Heads of School (HoS) to deliver growth over a 5% level has been introduced. There are some Schools which will show a decline, such as brickwork but in order to keep consistency and prudent 5% has been allocated across all Departments. Departments are resourced like for like dependent on income. IR asked the Committee if they needed further explanation and the Chair summarised that a buffer of £.5m has been built in on the top line so the Departments have targets higher than the College targets • The Curriculum plan, if delivered in full, would represent 2200 learners compared to 1800 learners. IR has checked with the ESFA about in year funding and if all goes well with enrolment the College may well benefit from in year funding. The threshold is 100 learners with the 5% increase across all Departments being just under this figure. The funding would be worth around £250k, this assumption has not been put in the budget [after note: IR confirmed that the ESFA threshold is 200] • Capacity development funding for T Levels - is included in the budget • ESFA high needs student income – is £570k and remains consistent • Adult skills income – this is split between ESFA and GLA. IR explained that the Training Solutions column is the College bringing AEB in house at £483k with £200k of remaining subcontracted delivery. There is a net increase in funding of around £60k • Apprenticeship income is £722k not £810k and IR and SFW are continuing to keep reviewing the assumptions on starts. Some starts were pushed back to January and the College now has a detailed schedule for the apprenticeship programme compared to a more high-level assessment previously • There are no changes with capital grants release • Bursary income has slightly increased • There has been an increase in Local Authority high needs funding • Fee income areas show a slight reduction as previously allocations across fee types had not been accurate. IR noted that there is always some doubt about whether students will take a loan or pay by a fee and monitoring will always be done at a subtotal level. 	IR
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	<p>The loan facility is just over the £180k level but if there was some growth there are mechanisms for the ESFA to increase the facility so it will be monitored closely</p> <ul style="list-style-type: none"> • Commercial income – is £497k for RuTC Trading Services for the full year. This includes reasonably large increases in the staffing budget which is not reflected in income. The margin does need to increase and based on the virus there may be a very reduced catering service. IR reported that he would expect the revised budget in the first quarter will review this area • Pay – this has been looked at post by post, area by area. The teaching salaries row is established staff with exception for 100 for training solutions to deliver AEB brought in house. Agency/reductions – an adjusted level of resourcing by Department is in place including the average 5% growth model. Some Departments need additional staffing to make up the hours in the curriculum plan which is where the agency staffing comes in. The £99k is additional staffing to deliver the full catering for the year but the business plan needs more scrutiny. In some Departments there are fairly large reductions in staffing and if the predictions are in line will deliver savings. If there is growth the contingency will be required for additional staffing • Non-pay - overall there is a slight increase in non-pay costs. With utilities there is expected to be savings with the procured price on electricity and the move to an energy efficient building, but figures have been kept prudent. A lot of planned maintenance through the year will be covered by warranties which will result in savings but there isn't a fully costed maintenance scheme in place yet to test this assumption • Earnings before interest Tax & Depreciation (EBITDA) – is less than previously forecast. The £450k staff costs error flows through the reporting and impacts on EBITDA and is still reported at £1162k. The Chair reported that this a still a robust situation given the circumstances externally <p>The Chair noted that it is important that the Committee understands the budget in detail as the basis for discussions with the ESFA and for any merger discussions with partners as part of the SPA. He asked for any questions and comments on the budget and the following discussion took place:</p> <ul style="list-style-type: none"> • DD noted that iterations of the budget have been looked at in detail by the CLT and are related to the detailed curriculum plans • IV noted it was extremely helpful to look at the budget in detail. The staff costs as a % of income are impressive and he suggested including a further table in the commentary showing where the College sits against FEC benchmarks. He asked more about the in-year funding of £250k and suggested it is worth pursuing and asked what else could be proactively done to deliver the required student growth. IR reported that the ESFA do not publish the thresholds and the assumption is based on last year's methodology from the ESFA which was triggered by 100 additional learners with half the funding being allocated to the College in-year, i.e. if the College over delivered by 10% growth equates to £0.5m. DD noted that most colleges are going to see growth due to the expected dip in apprenticeships and job opportunities because of Covid with sector numbers predicted to be up by 15%. This will have an impact on in year funding as there won't be the money to fund it across all colleges. The Chair agreed that research shows student growth increases during times of recession. IR suggested that tracking through an opportunities risk register would be beneficial. He agreed that in year funding is high risk and would not be included in the budget. DD added the increasing student numbers would also need to be balanced against quality measures to ensure the College was recruiting with integrity <p>6.1 Financial Benchmarking Report</p>	<p>IR</p> <p>IR/SC</p> <p>JM/IR</p>
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	<p>IR reported that the benchmarking report from Tribal has given a rich resource to work with and there are some interesting areas which will lead to more detailed work, for example around average rates of pay for lecturing staff. He noted it would be useful as part of the SPA process to share comparison data with potential partners. The Chair agreed there is some interesting work to start looking at in more detail and he encouraged the Committee to look at Tribal's work for their own intelligence and understanding as a useful tool of discovery. It was agreed to convene a separate meeting to look at the benchmarking data further which would be extended to all interested Board members.</p> <p>IV noted that the function of including the proposed budget on the June Board agenda is to build understanding for all governors of the financial situation of the College and provide a compressed version of this evening's discussion. He suggested governors are offered the opportunity to speak offline to IR prior to the approval date in July and IR confirmed he was happy with this arrangement.</p>	
7	<p>Financial impact of Coronavirus</p> <p>IR reported that the document will be revised in line with changes the budget but thus far the fundamentals within it haven't changed. He suggested concentrating on the additional section that has been included on potential mitigation. This illustrates the impact on the budget when moving to option 2 with an increase of £2.1m of cash. In the budget, the final package of leasing has been 'switched off' as it occurs after the March 2021 pinch point. However, this could be reinstated. Furthermore, the College could elect to utilise the headroom created by the repayment of funds between March 2020 and August 2021, to finance assets in the STEM and Sports buildings, assuming suitable assets are available. In practice, it may be beneficial to seek commercial loan terms rather than leasing at this point, but this option is modelled as it is available, known and 'worst case'. The paper does show a net adverse impact of nearly £2m but switching to Option 2 would mitigate this.</p>	
8	<p>RuTC Trading Services Ltd report</p> <p>JM reported that the MoU is a formal agreement between the College and the Company, is a standard arrangement and is not controversial. The document has been updated by DD and IR from the version that went to the Board in December 2019. SC noted that the constitution agreed by the Board in May has been checked against the Articles and there is no need for any further revisions. IV asked whether it should be checked by lawyers prior to going to the Board for approval and JM's view is that as it is a standard document it would not be a good use for College funds.</p> <p>RESOLVED: The Committee recommended to approve the revised MoU between RuTC TS and the RuTC including a cap on financial support for the time being at £25k</p>	
9	<p>ESFA case conference update from 2 June 2020 – this meeting has been rescheduled for 12 June 2020</p>	
10	<p>Subcontracting report</p> <p>1. Proposed subcontracting arrangements for 2020-1</p> <p>SFW reported that two subcontractors have been delivering for the College (Lifelong Learning Centre Ltd and Adult Training Network Ltd). The College has been looking at delivering its AEB in house but doesn't want to turn off all subcontracting so a reduction in £250k for each provider is proposed. This will be the first year the College delivers AEB in house. The subcontractors deliver maths and English to the Bangladeshi community in hard to reach areas in south London. EM asked if the College benefits from progression of learners from the subcontracting arrangement and SFW noted she would check but the benefits are more focused on teaching hard to reach learners in the community.</p> <p>DD noted that the ESFA and GLA are not keen on subcontracting and the significantly reduced allocation is in line with this.</p> <p>RESOLVED: The Committee recommended to approve the proposed subcontracting arrangements for 2020-21</p> <p>2. Supply Chain Fees and Charges Policy for approval</p>	

	<p>SFW reported that the policy has been reviewed by the CLT and following approval will be loaded onto the College website to comply with regulations</p> <p>RESOLVED: The Committee recommended to approve the Supply Chain Fees and Charges Policy</p>	
11	<p>Policies</p> <p>The Chair noted that he had asked for Committee members to review and share thoughts on the policies in advance due to the number of policies on the agenda. SC reported that there are a large number of policies included because of a backlog. A number of the policies had not been reviewed for some time and it was agreed to get the policy approvals completed and approved by the July Board meeting. Going forward policies are included on the cycle of business so this situation would not arise again.</p> <p>The Chair asked for a summary of revisions. AdL reported that the HR policies are a refresh with updated staffing information. The Addendum to the Health and Safety policy is in response to Covid planning.</p> <p>RESOLVED: The Committee recommended to approve the revised:</p> <ul style="list-style-type: none"> Health and Safety policy Staff Code of Conduct Staff Grievance procedure Staff Disciplinary procedure <p>IR reported that the Financial regulations have been updated following suggestions from the auditors who have reviewed and confirmed the changes. A Refunds Policy is available on the College website and IR will review this to ensure consistency.</p> <p>IR reported that a Fees policy couldn't be located and a new policy has been included for review. EM asked whether including reference to a bursary process for students unable to pay the 25% deposit could be included to deter students from walking away and IR agreed to review and include.</p> <p>The Committee considered the Business Continuity, Disaster Recovery and Emergency Plan and asked if the plan had been tested. AdL noted that it had been used as a basis for pandemic business planning prior to Covid and there was not enough detail included so a separate pandemic policy runs alongside the Plan. She noted that there is still some work to do on it.</p> <p>IR reported that what the College has learnt from Covid is that it would respond to the disaster differently than it had expected to do and learnt a lot more about remote working and upskilling staff.</p> <p>RESOLVED: The Committee recommended to approve the revised:</p> <ul style="list-style-type: none"> Financial Regulations Fees Policy – subject to inclusion of reference to the bursary process Student Support Funds statement Treasury management policy Business Continuity, Disaster Recovery and Emergency Plan 	<p>IR</p> <p>IR</p>
12	<p>HR update</p> <p>AdL explained that the report is a catch-up paper on HR matters. The Board received the Workforce Report at the start of the year but not the HR Development Plan. The HR and OD Development Plan is based on priorities set by CLT and details the work of the HR department over the year. This includes implementing a new HR system, established a staff forum which has been very positive and provides another avenue for sharing staff views and getting information out to staff. Staff sickness is high which is to be expected during a pandemic. The report includes the staffing responses to Covid, an update on continuing Professional Development and results of the HR audit.</p> <p>The Committee thanked AdL and agreed it was an excellent paper explaining the work of the HR team during a year of challenge and change.</p>	
13	<p>IT and Estate resources update – headline roadmap of gaps and opportunities</p>	

	<p>IR reported that GB had written much of the content of the paper which includes an update on the Estates and IT service and a draft document for an IT strategy. There has been huge investment in IT this year and a strategy for reaping the benefits of the investment is the next step. There is no separate estates strategy as it is assumed this is embedded in the redevelopment project.</p> <p>The Committee considered the report and the Committee noted that the College will need to be able to deliver student learning in a complete remote environment as well as delivering distance learning as part of the curriculum going forward. There will be a significant amount of learning from this time to be captured and utilised and the College should be planning for and be ahead if the need should arise again. GB agreed that there is nothing explicit on Covid in the reporting as the College had been moving to a more online platform for the last 18 months and was ahead of the game compared to a lot of other colleges and universities. A student experience objective that concentrates on the online presence was already underway and staff had been trained. AC noted that this is not to downplay the work done prior to Covid but so many people have learnt so much over the last few months around the best ways students can learn, the effectiveness of the services and how to get students to collaborate remotely that there is a real opportunity to reflect and learn and build on for the future. The Chair agreed and noted that a lot of students in the next few months will be nervous about coming into College so will be relying more on distance learning. DD felt that the next stage is to combine the good work done with digital learning and the College has an excellent Head of Learning Technology who has led the College through this process. GB agreed and noted that a blended learning strategy is due out shortly. There is less infrastructure in the strategy and more focus on enhancing systems and the student experience going forward. GB felt there is a need to look at student devices and what will happen with the new intake of students.</p> <p>The Committee agreed CQS and FRC oversight responsibility of this strategy was required. The Chair noted that this is a good start and a work in progress. He asked IR to take the comments forward and to include as a standing item on the FRC agenda.</p> <p>IR explained that there will be an internal review about the structure to replace GB. The College will have a good IT manager in post, but it will no longer have an IT strategy lead as part of the team. It was agreed it will be useful to look at what other colleges are doing and learn from that. The Chair thanked GB for his report and wished him well for the future.</p>	SC/IR IR
14	<p>Risk Report</p> <p>The Committee considered the risk report and agreed that the risks had been considered in the agenda.</p>	
15	<p>Terms of reference</p> <p>The Chair asked for any comments and revisions to the FRC terms of reference. IV asked that a further discussion on connecting up the link across CQS around remote workings takes place with Mike Sutcliffe.</p> <p>RESOLVED: The Committee recommended to approve the FRC terms of reference subject to the discussion and possible revisions above.</p>	SC
16	<p>Review of effectiveness for 2019-20</p> <p>The Committee considered the review and areas for further work. Attendance of current Committee members is excellent at 100%. The Chair noted that he was keen to get feedback from the Committee on its effectiveness and any areas of improvement both for his chairing and the running of the business. He felt there were robust conversations and proper debate of items. It was agreed that the Committee worked well, that there is an appropriate focus on priority issues, a good structure and transparency of items. This is compared to the previous year which had seen a great deal of turmoil when the CRPG and FRC were one Committee.</p> <p>IV noted his support the committee system. Although this would be an added burden on IR he would like the opportunity for all board members to engage offline to build up an understanding of College finance issues so there is not a two tier board with dramatically different understanding of the finances. The Chair noted that every board member is welcome to attend every committee meeting but in reality, this isn't feasible. It was agreed to start with the</p>	IV/SC

	<p>budget discussion tomorrow and offer the opportunity for a more detailed dive into the budget for next year with board members. Board members will also be invited to the meeting looking at the Tribal benchmarking work.</p> <p>EM noted that she felt the Committee had been a very good comprehensive meeting. The Chair agreed that the Committee had gone through a lot of business and a lot of work has gone into the preparation from the CLT. He thanked them for their hard work in getting the agenda pulled together and noted that getting through all the items with very little challenge is a credit to them. It was agreed it is a good place to be, compared to a few months ago.</p>	
17	<p>Cycle of Business for 2020-21 RESOLVED: The Committee recommended to approve the FRC cycle of business subject to SC checking all policy approvals are included.</p>	SC
18	<p>Meetings for 2020-21 – 30 September 2020, 25 November 2020, 20 January 2021 (holding date for IFMC), 16 March 2021, 30 June 2021 (all 17.30 start)</p>	
19	<p>Any other business ESFA letter from 29 May 2020 on Financial Health – it was agreed that the letter was expected. The Committee asked about the status of the letter and it was confirmed that it is an internal letter to the College and the accounts that underpin it will be published.</p>	
Meeting closed: 19.48		