

Meeting of the Finance and Resources Committee

(Finance and estates items only)

MINUTES

Items considered confidential on the grounds of commercial or personal sensitivity are highlighted for later redaction from the published minutes

Date	Wednesday 26 June 2024
Time	18:00 to 19:30
Location	Via MS Teams
Present (Governors):	Paul Stedman (Interim Committee Chair) Jesse Adekoya Craig Mahoney (Chair of Corporation) Christine Ricketts (Principal and Chief Executive) Paul Stedman
In attendance	Allan Tyrer (Chief Operating Officer) Nolan Smith (Estates Project Manager, Fusion) – item 5 Melissa Drayson (Director of Governance)
Observer	Tarcha Choony (newly appointed governor)
Apologies for absence	None
Quorum (3)	The meeting was quorate throughout

Item	Action lead
1. Preliminary items	
1.1 Welcome and apologies for absence The Chair opened the meeting and welcomed Tarcha Choony, who had been appointed recently, as an observer.	
1.2 Declarations of interest There were no new declarations of interests relating to matters on the agenda. Previously declared interests were carried forward.	
1.3 Urgent other business No items of urgent other business had been notified in advance.	
2. Minutes	
2.1 RESOLVED: That the Finance and Resources Committee minutes of 8 May 2024 by APPROVED as an accurate record.	
2.2 Matters arising	

Supporting paper by the Director of Governance

All actions from the previous meeting were on the agenda or due for report at the next meeting.

The overdue action to develop a debtor policy would now be completed in the Autumn term to tie in with the finalisation of the year-end accounts.

The Director of Governance was asked to clarify the wording of the action to increase inclusivity in staffing. It was confirmed, as stated in the minutes, that this related specifically to recruitment practices. This was now a focus of the Equality and Diversity Committee.

3. Finance

3.1 May 2024 Management Accounts

Key headlines were noted:

- The year-end forecast position continued to show a slightly improved surplus compared to budget and was now unlikely to change. This generated a positive EBITDA
- Income was slightly higher than budget, partly due to teachers' pension income.
- Pay costs were within budget. Agency staffing costs were being managed closely and would cease at the end of term.
- The balance sheet was strong. There would be significant shifts when the estates sale when through.
- Operating cashflow showed a minimum balance of £3.5m throughout the next twelve months. This translated to 100 cash days which was stronger than sector averages.
- Restricted capital cashflow was positive for the duration of the project.

Governors noted the shortfall in 19+ adult skills provision and asked if there was still time to make up the difference. Management responded that this would not now be possible, and the target had been reduced accordingly.

More detail was requested in the narrative about the change in Higher Education awarding bodies.

A comparison with last year's figures was requested for agency costs. It was confirmed that these were approximately £300k lower this year but were still higher than desired. The Committee requested some commentary in the report to reflect the progress that had been made in reducing agency costs, balanced against the need to minimise any impact on the learner experience.

In response to a question, it was clarified that the fee for converting agency staff to permanent was reflected in non-pay costs, in the same way as staff recruitment costs.

The May Management Accounts were received.

3.2 Budget 2024-25 and five year financial plan

Supporting paper by the Chief Operating Officer

The budget and financial plan assumptions had been well rehearsed at previous meetings, and remained conservative.

Income headlines were:

- The 16-19 allocation, including T-Levels, had been confirmed at £10.3m. There was potential for clawback if T-Level student numbers were not achieved, so a worse-case scenario figure of £200k for this had been allocated.
- A slight increase in High Needs element 2 was forecast
- £750k of Adult Skills funding was budgeted, although £1m income was targeted in the College's adult skills strategy.
- Apprenticeship income reflected a 5% increase.
- High Needs element 3 funding was still being negotiated with Surrey County Council. In addition, the local authority would be supporting the College with developing specialist expertise in Autism Spectrum Conditions (ASC).
- The budget for 14-16 income was £150k although the College was likely to get £210k based on work with schools.

In response to governors' questions it was confirmed that the income figures would be adjusted following enrolment in September. The College target was to enrol 1500 16-19 year olds to allow for drop outs whilst still exceeding the funding allocation target. Class sizes would also be reviewed, and groups merged if necessary, to maximise efficiency.

Expenditure headlines were:

- The pay cost ratio would be maintained at 63%, including provision for a pay award. This was below the FE Commissioner benchmark of 65%, and lower than many colleges. Staffing levels would be reviewed following student recruitment.
- An increase of 6-8% had been applied to other non-pay costs.

Governors tested the risks to delivering the five-year plan. It was confirmed that the main risk to this would be the failure to achieve 16-19 allocation targets, resulting in clawback the following year. Failure to achieve Adult Skills and Higher Education targets were also risks, although these were less critical to the achievement of the EBITDA.

In response to further questions, the risk that salary costs would rise would, in part, be mitigated by finding further efficiencies in group size, staff utilisation and timetabling, although it was important that this should not be at the expense of the quality of education. It was noted that the staff turnover rate had been high since the pandemic, so further recruitment and retention incentives would might need to be considered.

The generation of a positive EBITDA over the five years would provide sufficient cash to allow the College to invest or repay remaining debts

Based on its discussions at the meeting, and at previous meetings and strategy days, the Committee supported the view that the plan provided a robust and achievable financial outlook for the next year and beyond.

RESOLVED: That the budget for 2024-26 and the financial plan to July 2028 would be recommended to the Corporation FOR APPROVAL.

4. Review of Financial Regulations
Supporting paper presented by the Chief Operating Officer

The updated document included changes to job titles, and some amendments to reflect the requirements of HM Treasury Managing Public Money. Governors advised on some minor changes to wording which would be incorporated in the final version. With these amendments, it was:

RESOLVED: That the Financial Regulations be recommended to the Corporation FOR APPROVAL

5. Estates and Facilities Report
Supporting paper by Nolan Smith, Fusion

5.1 Progress report

An update was provided on developments since the previous report:

- Completion date was now targeted for 2nd July 2024
- The pre-completion documents had been executed and signed by the College that day. These included deeds for leaseback of buildings, overages, and covenants.
- Cala had engaged **Clarion Homes** as their affordable housing provider. **Clarion** were a top 5 provider and Fusion had worked successfully with them before.
- The tender process for the Edge had been completed and a recommendation was brought to the Committee. Work should start on 1st August with a completion date of March 2025.
- The Tender had been sent out for Tower and Barnes Wallis, due back later in July. Arrangements would be put in place for Corporation approval outside of the meeting cycle.
- The timescale for Phase 2 of the development would be determined following sale completion.
- The payment profile for the Further Education Capital Transformation (FECTF) grant had been agreed with the ESFA.

It was noted that the LSIF funded refurbishment of the Studio Theatre was proceeding as planned as was the Ashford T-Level refurbishment.

5.1 Capital Tender – the Edge refurbishment
Supporting papers from Fusion

The Committee was satisfied that a rigorous tendering process had taken place, balancing cost with quality and including a full quantity surveyor assessment leading to a set of contractor qualifications. Governors sought assurance that the preferred bidder had included fixed prices for all provisional elements.

RESOLVED: That it be recommended to the Corporation that GTCI be appointed for the Edge refurbishment for the sum of £1,793,748.92 (+VAT)

5.2 Cleaning contract

Supporting paper by the Chief Operating Officer

The committee noted that, following a rigorous tendering process undertaken by sector specialists, Tenet, the incumbent contractors were recommended as representing best value and quality. Their quote was nearly 5% lower than the current payment.

RESOLVED: That Hayward Services be awarded the contract for cleaning services at a cost of £365,376.68 per annum, (£30,448.05 per month ex.VAT)

6. Finance and Resources risk and KPI assurance report

Supporting paper presented by the Director of Governance

The Committee considered the report and whether all risks and KPIs falling within its scope had been given adequate coverage in reporting and discussions. Questions were raised around the high score attributed to health and safety risk. It was confirmed that this had been set before the fire safety audit. This had given positive assurance so the risk was now lower. Further assurance was taken from the report that a

The COO confirmed that by the year-end he anticipated that all financial KPIs would be RAG rated as green.

There was a discussion about calculation of carbon usage metrics. It was agreed that this would be best undertaken by an independent specialist and would be a long-term project. It was suggested that the sustainability link governor might have contacts in this field.

7. Other urgent business

There was none

8. Date of next meeting

Dates for 2024-25 were in the process of being confirmed. The scope for reducing the number of committee meetings now that the financial situation had stabilised was being considered. Arrangements would also need to be considered to ensure timely monitoring of the estates redevelopment.

Signed By: _____

Date: _____