CAPITAL CITY COLLEGE GROUP

F&R 26/06/2018 **ITEM: 1**

FINANCE AND RESOURCES COMMITTEE

Minutes of a meeting held on 2nd May 2018

PRESENT	Alastair Da Costa, Simon Pitkeathley (Chair), Professor Anthony Smith, Kay Willis, Andy Wilson, Keith Brown, Maarten Zuurmond
IN ATTENDANCE	Claire Collins (Director of Human Resources and Operational Development), Graham Drummond (Clerk), Nirmal Borkhataria (Director of Finance and Operations), Stewart Cross (Director of Integration and Management Information Services), Peter Marsh (Peter Marsh Consulting), George Kenchington (Peter Marsh Consulting), Peter Thompson (Interim Director of Estates), Julie Ellis (Governance Officer)
APOLOGIES	None
DECLARATIONS OF INTEREST	None

1. MINUTES OF THE MEETING HELD ON 28th FEBRUARY 2018 **Action**

The minutes and confidential minute were accepted as a correct record and signed by the Chair.

2. MATTERS ARISING

None.

3. ESTATES STRATEGY UPDATE

3.1 PRESENTATION FROM PETER MARSH

The Committee received and considered a presentation from Peter Marsh Consulting Limited (PMC), the consultancy firm advising on the Group's estates strategy. It was noted:

- The presentation outlined the approaches adopted to assessing the current estate and identified some early possibilities for consideration;
- The Group has a valuable estates portfolio at around £400m;
- The estates strategy will need to be influenced by a curriculum strategy and student guided learning hours are a key focus for planning. Progress can be gauged at a glance on the project dashboard at point 3b of the report with timescales and next steps at point 10;
- The only red risk on the risk register for the project relates to the danger of progressing a strategy while curriculum models are under review. Curriculum models adopted in the future might not have been anticipated in the current assessment;
- CONEL has the largest estate in terms of square metres although it is smallest in turnover, followed by CANDI and WKC. King's Cross and Victoria offer less scope for expansion than do CBAT, Finsbury Park, Angel and Enfield;
- The estate is assessed in terms of condition, utility and space utilisation. Early identification of possibilities include redeveloping the Tottenham and Soho centres, expansion of CAS and the Sixth Form College and potential residential development or educational densification at the rear of the Finsbury Park and Camden Road sites. Residential development should remain within the caps on commercial activity to ensure the Group retains its charitable-exempt status.

3.2 ANCILLARY PROPERTY - CONFIDENTIAL

There is a separate confidential minute for this item.

3.3 EXTENSION OF TGEC LEASES - CONFIDENTIAL

There is a separate confidential minute for this item.

4. REVIEW OF CURRENT FINANCIAL POSITION

4.1. FUNDING

A report on funding was received and considered. It was noted:

- The figures are based on the Group's Individual Learner Return (ILR) R08 made on 3rd April 2018;

- ESFA 16-18 funding is on a lagged learner number basis, so funding for 2017-18 is guaranteed and based on the learner numbers in the 2016-17 R04 return made in December 2016 and will be up £1.9m. The Group is below target against planned learner numbers which will impact on 2018-19 funding;
- The Adult Education Budget is down against target. The Group needs to achieve at least 97% of its contract to avoid clawback of funding and the colleges are currently averaging around 92%;
- While grant and procurement allocations for apprenticeships have been low, recent bid successes provide cause for some optimism;
- There is a shortfall on FE loans. Some CIC loans were cancelled because insufficient supporting evidence was provided as a result of an administrative error. Evidence is being collected to recover these;
- In mitigation, work is ongoing to identify opportunities for the provision of internal delivery rather than subcontracting, while continuing to subcontract tactically where necessary to meet contract, to reduce operating costs.

4.2. FINANCIAL UPDATE, MANAGEMENT ACCOUNTS AND FORECAST

A financial update report was considered and received. The following had been included within the report:

- Management Accounts for the CCC Group to 31st March 2018;
- Group Forecast to 31st July 2018.

It was noted:

- The current forecast of the anticipated year end position previously indicated that there could be a deficit of around £6m, though this is now expected to be closer to £3m if additional income and savings are realised;
- There is a £3/4m contingency fund which, if remains unused, will reduce the deficit further;
- The highest risk is the achievement of the SFA contract;
- The balance sheet is healthy, showing total assets less liabilities of around £303 million, cash reserves at £25 million and net current assets of £14.8 million;
- The challenges that the Group has faced that led from a budgeted surplus of £1.5m to a forecast deficit of £2.9m include:
  - VAT payable on the Kier facilities contract (c.£700k) had not been included within the original budget;
  - There has been a large overspend in Corporate Services (BIR, facilities, IT and Marketing);
  - Over-optimistic income targets;
  - The shortfall in apprenticeship income that has affected most providers;
  - More generally, the Group has had difficulty finding managers that have the skill sets to deal with the enlarged organisation and the more complex budgeting demands;
- The Group can make around £3/4m savings through not filling vacancies, but cannot impose a vacancy freeze without disruption to the service. Analysis carried out by Tribal Benchmarking, a specialist educational financial planning consultancy, suggests that the Corporate Services is understaffed compared to other providers whilst curriculum management is higher as well as pay levels for teaching staff;
- A meeting to discuss the financial position of CCCT with the Chair and Managing Director had taken place this morning to discuss ways forwards with respect to its role within the Group. Those present were assured that at the current time, the training arm is a part of the Group meriting investment,
- The format of the report presented was welcomed as more concise and focussed than some reports had been in the past.

5. INITIAL BUDGET OUTLINE AND AGREEMENT OF PARAMETERS

A report was received and considered. The Committee noted:

- The proposed financial objectives for 2018/19 are:
  - Operating surplus – break even;
  - Staff costs – no more than 65% of turnover;
  - 25% of income should be generated outside the EFA/SFA local allocations;
  - The availability of an uncommitted contingency fund of £1/2m,;
  - Current ratio to be 1.5:1 at year end;
  - Cash days in hand to be at least 60 days through the year;
  - Cash generated from operations should be at least £8m for the year.

These will be reviewed as the budget is finalised. A detailed top down budget will be presented to the committee at its meeting in June;

- The following high level scenario was presented:
  - Of the £1.7m overspend this year, £1.55m would not be spent next year;
  - £1.9m additional 16-18 lagged funding will be received;
  - CCCT will deliver an additional £500k income;
  - £400k costs savings will be made from delivering directly £2m-worth of training rather than subcontracting;
  - The 1% pay award plus incremental rises will total £1.4m;
  - There will be a reduction of 5% of costs spent by corporate service areas on non-staff costs and the colleges and CCCT on management and support staff costs but not direct delivery costs;
- The committee took the view that an aspirational board should aim for some surplus, even if a modest amount of around £250,000 and asked that the budget be revised with this in mind. Further savings might be made from, for example, a stronger rein on Group-wide procurement. **NB**

6. UPDATE ON IT

A confidential report on IT was received and considered. It was noted:

- Despite progress made in upgrading IT systems, there remain some problems to overcome as years' worth of infrastructure under-investment is being addressed;
- Items escalated to the infrastructure team are not being resolved in a timely fashion and not enough resources are being allocated to key projects resulting in their overrunning;
- Some of the Group's IT problems stem from insufficiently skilled personnel. The Group is over reliant on temporary staff. There is now an interim Director in post and three month restructuring plans are being prepared to 31st July 2019; outlines of these plans were included in the paper;
- Problems with communication are being addressed. Helpdesk reports show that fewer calls are being left unresolved at the end of each month than previously.

7. FACILITIES MANAGEMENT AND ESTATES UPDATE

There is a confidential minute for part of this item.

Updates on facilities management and estates, summer works and the CONEL redevelopment were received and considered. It was noted:

- In the light of the limited time available to discuss matters at committee meetings, the benefit of having such detailed papers on facilities management and estates matters was queried. The committee took the view that the executive could deal with these and that major items could be drawn to their attention without the need for a standing item.

8. INDUSTRIAL RELATIONS UPDATE

An update on industrial relations issues was received and considered. It was noted:

- Trade union members took three consecutive days of industrial action between 26th and 28th March. Strike action has affected all parts of the Group but has been most evident at King's Cross, CLL, CBAT and at both CONEL sites;
- The two central issues on which the University and College Union had balloted their members for strike action were the request for a 6.9% pay rise and the transference to fractional salaried posts of hourly-paid lecturers who have worked for two years or more and who teach at least 10 hours a week;
- The CEO and Head of HR met with union representatives to avert strikes, but no agreement was reached. An offer to extend CONEL's current fractionalisation agreement in respect of hourly paid lecturers who have worked for at least four years and with a minimum 50% timetable and to pay a £200 non-consolidated bonus to all staff as an expression of gratitude for their efforts during the merger was rejected. However, some union reps welcome the fact that negotiations are still open and are keen to settle. Approximately £130-140,000 of wages have been lost by employees as a result of the strike;
- The Group's stance is that its staff are amongst the best paid in the FE sector. All three colleges have paid the rate agreed nationally between the trade unions and the Association of Colleges

for the past three years. Of the eleven colleges affected by the strike, only the Group and the United College Group had consistently paid the AoC recommended annual pay award;

- There are a further 7 days of planned action on 23, 24 and 25 May just before half term and on 4, 5, 6 and 7 June just after half term which will coincide with GCSE exams. Agency staff cannot be used to invigilate the exams so other staff will be trained and utilised;
- The committee would be willing to increase the offer of the non-consolidated bonus if this would settle the dispute.

9. INTEGRATION PLAN UPDATE

An update report on the integration of CONEL's support systems was considered and received. The Committee noted:

- As at 17th April, 68 actions (33%) had been completed, 780 (38%) are in progress and 60 (29%) had not yet started;
- The most critical interdependencies arise from the staff moves into CBAT and the Marlborough over the summer;
- A full review of the integration plan budget has now been undertaken and £947k of costs have been identified.

10. PROCAT OPPORTUNITY

An oral report was presented by the Chief Executive on an opportunity to merge with the Prospects College of Advanced Technology (Procat). It was noted:

- The Group was approached by the Further Education Commissioner to see if it had any interest in a merger with Procat. Procat offers apprenticeships in advanced technology and has centres in Canvey Island and Basildon in Essex. Procat has a £9m turnover and is experiencing difficulties with its 16-19 offer;
- It would have been challenging to integrate the 16-19 provision with that of the Group's due to the distance involved and expense of travel, so this opportunity has been declined. The Commissioner was informed that the Group would be open to considering other opportunities if they arose.

The next meeting will be held on Tuesday 26th June, venue to be determined.

Signed as a correct record: _____

Simon Pitkeathley, Chair of the Committee