

Finance and Resources Committee
Tuesday 16 March 2021 17:30-19:30, Teams

Minutes

Committee	Jim Marshall (Chair); Rosh Sellahewa; Ian Valvona; Andy Chew. Sue Kingman (observer)
In Attendance	Alison de Lord (Assistant Principal) Ian Rule (Interim Finance Director); Elaine McMahon (interim Principal and CEO); Sarah Connerty (interim Governance advisor)
Apologies	Sue Kingman

Item	Time	Item Description	Action
1		Welcome and apologies The Chair welcomed colleagues to the meeting. Apologies were received from Sue Kingman.	
2		Declarations of interest There were no declarations received.	
3		The minutes from the meeting held on 25 November 2020 were agreed as a true and accurate record. The minutes from the joint FRC and Audit and Risk Committee from the 11 March 2021 were not available and it was agreed to circulate these by email for information and bring to the next Committee meeting for approval.	
4		Actions and matters arising Action 28 – VAT – letters have been sent to the ESFA Action 42 – RuTC TS letter of support – this was approved by written resolution on Monday 15 March. The RuTC TS AGM took place yesterday and the accounts have been approved and signed Actions 44 and 45 – ongoing and to remain on the action list. IR noted that the Audit and Risk Committee have a risk deep dive on systems next week which can be reported to the Committee	IR
5		Management Accounts – January 2021 IR reported the picture is reasonably positive on the whole and there isn't a great deal of new news. JM noted that total income for the year is looking quite positive. There are increased 16-19 numbers. AEB is looking a little weak at the moment but that is mainly phased to the second half the fiscal year so there may be some comeback. Apprenticeships is also a weakness. IR noted that AEB will be kept a close eye on, the variance on AEB has reduced slightly in the February accounts which is positive. The potential for High Needs student income not to be received in full was a risk but it has now been confirmed that the full income will be received, and this will go back up in the February accounts. Payroll costs have negative variances in some departments but at the College level it is being well managed. There isn't any immediate need for changes. AEB does have an impact on payroll assumptions and non-pay. The additional costs of Covid are included.	

	<p>The Finance KPI targets for 2020-21 were noted as part of the papers. [confidential item]</p>	
6	<p>Budget 2021-22 – initial assumptions</p> <p>IR reported:</p> <ul style="list-style-type: none"> • Income overall is much increased, mainly due to increased 16-19 numbers • Pay as a percentage of income is around 65% • EBITDA is just over £2m and the full operating position is a deficit of £600k, both c.£700k improved on FY21 forecast • Cash balances have not yet been worked through but will be more positive than previously modelled – these will follow with the full budget in June. <p>Key Assumptions:</p> <ul style="list-style-type: none"> • ESFA income is as per the grant letter received recently. • AEB is forecast to remain as per FY21, but with subcontracting reduced to £200k • Apprenticeship income is expected to increase to the originally-planned levels for FY21 • HNS income forecast has been adjusted upwards again for FY21 and pro-rated through to FY22 based on the overall growth in ESFA funded numbers. • Fees and loans, and commercial income return to original budget levels for FY21 (post covid) • A 1% pay award for all staff on payroll is made for FY21 and backdated to August 2020. A further 1% is budgeted from August 2021. A £300k contingency is included at this stage • 2% inflation is applied to all non-pay expenditure at this stage, this will be refined in the detailed workings. A £100k contingency has been included also. • Depreciation and capital grant releases will need to be revisited but these have no bearing on EBITDA or the KPIs. <p>IR noted that there is clearly a lot of work that needs to be done and this is being worked through. The good news is that total income is £1m above that forecasted in July last year for financial year 2022. 65% staff costs as a percentage of income is forecast. There are no radical changes to the estate next year and the College is not expecting any massive changes in terms of non-pay costs. It should be business as usual next year.</p> <p>The Committee asked about risk areas. These are around how quickly apprenticeships and catering will pick up and whether to continue operating the RuTC Trading Services model or look at outsourcing. In the context of merger that conversation is being had.</p> <p>The budget is being presented as standalone and the main assumption is suggesting a 5% over delivery. Last year the College delivered 14% over and there is no indication this won't be reached. Applications are strong and there is good reason to plan to overachieve. IR noted that he needs to see a curriculum plan and this and the budget have been discussed at CLT.</p> <p>The Chair noted that he and IR went through the assumptions and the budget. Given that there is guaranteed income funding of nearly £12m from ESFA the only nervousness is the apprenticeship and AEB income which is still forecasting a slight increase from 2021-2022 which, given the weakness over the last few months, needs to be monitored. Apart from that it stacks up and makes sense.</p> <p>IR noted that the forecast is to deliver the full AEB budget and the same next year and there is an assumption that the College will achieve this.</p> <p>AC asked expenditure. There are 2% assumptions in inflation and a 1% pay rise for staff. Given what the College has gone through, and the good position it is in, he asked if there is any scope to do more than 1% and what the considerations are of giving a less than inflation</p>	

	<p>pay award to staff when the College is at the start of a bright new future. IV strongly agreed with this.</p> <p>AdL noted that the 1% has been modelled because there was only 1% put into the budget and she added that this is a normal pay increase for the sector. A mapping exercise with HCUC has identified a pay gap between the two colleges due to HCUC providing their staff with year on year pay rises. HCUC also have a 1% pay increase in their budget this year. The College is taking the 1% recommended pay rise for this year to the SRP Committee this week. In the budget for 2021-22 there is a 1% pay rise. AC noted that he was talking about next year's budget and noted that 1% is broadly around £100k. IR noted that in terms of context pay is a choice. The DfE haven't funded a rate increase for students for 2021-22, the increases are volume and not inflation. The College is not getting paid inflation which is why colleges haven't been in the position to pass it onto staff.</p> <p>EM agreed that it would be good to give recognition to staff but it is always going to be about a negotiation. Holidays for teachers at RuTC are significantly higher than the sector. More pay could be put in, but it would need to be done alongside looking at a different contract. The Committee agreed that any recommendations need to be consistent with HCUC and there is a much bigger issue around harmonisation and terms.</p> <p>IV noted that FE colleges are in the flexible position of being able to make decisions around pay and conditions independently. The College is on the up and it is important to reflect this to the staff. The College can make that choice as the DfE don't set pay for the sector. This could only act as a signal and influence to HCUC, it is not binding to HCUC in any way. There will be an opportunity to agree a budget, HCUC will understand and RuTC can strongly signal future pay behaviour. He asked for a steer to developing the full budget. The strategic KPI has been pay at 65% of income and another 1% would move it to 66%. There is a figure for contingency so a lower contingency could be put in and when the budget is presented for approval these decision points could be added in.</p> <p>The Chair noted an increase to 2% and reduced contingency would still allow the staff costs to remain at 65% which deals with the optics of going into the merger and maintaining the 65%.</p> <p>AC noted that the budget for 2021-22 will be HCUC's decision but it would be useful to provide some context to the increase and explain that it is against the background of their staff receiving pay rises while RuTC have been cutting back.</p> <p>AdL reported that she had no HR concerns about an increase to 2%. There will be a recommendation that the contracts from the 1 August are HCUC contracts which removes the issue of over sector holiday days, but if pay is increased too much there will be no incentive for RuTC staff to move over to the new contract, but 2% won't kill that.</p> <p>RESOLVED: The Committee asked for modelling on a 2% pay rise for staff for 2021-22</p> <p>IV noted that subcontracting is not the flavour for the ESFA and is being reduced. He asked if this is the direction for the College to go in? IR noted that it hasn't been debated. He felt it has a place if it is provision the College can't deliver and is of benefit to students but it shouldn't be done to use up allocations. EM noted that the College is continuing with subcontracting at the moment as it need to build up its own staffing, capacity and expertise because there is not the ability to deliver. The subcontractors are in areas the College doesn't reach into, i.e. ESOL and the College will follow on to move students into College core provision. With merger there will be a bigger overall picture of the strategic plans for that area. The task for SFW was to address the quality and grow provision slowly and she has done an amazing job.</p>	IR
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	<p>AdL added that the College don't currently have ESOL teachers on the staff so would have to resource it.</p> <p>IV noted that if the College was standing alone it could set an upper limit in principle. The College is well aware that an overreliance in any business is a sign of weakness and in the long term would want to rectify that. SFW noted that it has been reduced this year and the Committee agreed that subcontracting is going down, is useful and is delivering provision that the College is currently unable to provide so that is not uncomfortable. IR noted that for provision such as ESOL learners often won't and don't want to come into the college hub but will attend community-based provision so it is delivering a community need.</p>	
7	<p>Merger workstreams update for finance</p> <p>IR noted that everyone has been in various merger meetings. The due diligence has completed, and the sense is that it is positive. The capacity to see through the integration remains a concern.</p> <p>The Chair noted that the College's own IT strategy hasn't moved on as much as wanted for good reasons and asked if it needed to be separately highlighted. IR did not completely agree with this view but agreed there is the difficulty of seeking to develop an IT strategy further when going into a merger as there is a reduced appetite. He noted that the College is further ahead than HCUC in development of its IT strategy.</p> <p>IV noted that it would be useful to give examples of how RuTC is further ahead. He raised the Board's aim to overlap between IT and curriculum and quality with the FRC and CQS. [confidential item]</p>	
8	<p>HR report including a review against HR KPI targets for 2020-21 and merger workstream update for HR</p> <p>AdL reported that sickness absence looks like it is going down, but it may be the case that people are working from home and not reporting sick and with home working there is much less transmission of colds and flu etc.</p> <p>A staff satisfaction temperature check survey is underway which, considering there is a national pandemic, is relatively positive. People are anxious but there is a lot more satisfaction around inclusive welcomes and safety. AdL agreed to share the results when the closes. People are concerned about student behaviour around masks and the uptake of, vaccinations and tests. From the College's point of view over the last two days large numbers of students have been in with 750 students tested yesterday and behaviour was really good. The last HR merger workstream call touched on terms and conditions and the TUPE consultation. The senior executive structure is being handled by FEA.</p> <p>IV noted that the risk register needs to be on the agenda for discussion at every JSG meeting and this did not take place at the last meeting. SC agreed to follow up.</p> <p>AC noted that he would like much more certainty before the Board meeting and assurance that systems are in place for staff to get paid. [confidential item]</p>	AdL
8a	<p>FEA Capacity report</p> <p>EM reported that there was some concern from the Board about delivering learning, drives for improvement and delivering the merger with the current capacity of the senior team and college teams. MA conducted a light touch review with EM attending meetings with MA and individual CLT members. EM noted that everyone works exceptionally hard, individuals are coping differently but managing it. There have been peaks of work, for example the due diligence and there are significant amounts of work to be dealt with. Capacity is amber on the risk register and staff are coping but are vulnerable. There could be some dropping in terms of performance but right now it is being well handled as a team and multi-tasking is taking place. The report gives the detail of the feedback MA has had. It also included the MIS managers' role as this was identified as a flight risk. FD is leaving because of the merger.</p>	SC

	<p>The Chair asked if this should go to the Board next week as a paper and SC noted that it is included in the matters arising.</p> <p>AC noted that he was one of the main instigators of the request and had attended a meeting with MA to brief him as he was especially concerned about workloads. He understands this is a light touch piece but it doesn't give what was asked for as a capacity report and there is no indication of additional work for the team. There is no concrete indication of whether people are being asked to take on infinite capacity. People will always say they will do what they need to do to make it work, but this involves the cost of taking so much on and the stresses associated with it. He noted that he had requested the report to try and get an understanding of that situation and the report does not deliver on that.</p> <p>EM noted that she wasn't at the briefing and MA's view was that a very high-level report was required. JJ has estimated that 50% of his time has been spent on merger to date. He has indicated that his team are relatively new to their roles so he does need to give them more time and is stretched to capacity. EM explained that in the case of JJ she has agreed that over Easter he will take leave for a week with no contact from the College and that needs to be done for each of the senior team. It also demonstrates to others that there is a need to take time out and breaks and not be a workaholic. There is a small team and they are functioning as best they can, but it is a good job that the merger is time limited. For the senior team not yet knowing their roles in the structure which are unknowns at the moment is stressful and it will help when this is progressed.</p> <p>It was agreed that MA may have quantified things that are not in the report so that could be checked.</p> <p>[confidential item] The Board made quite a point to the FEC about conducting merger during a pandemic and from an assurance point of view this is well documented. He didn't propose going back to FEA to repeat the exercise.</p>	
9	<p>IT Strategy 2020-2025 and update from the Technology and Strategy Group and roadmap template – this item was deferred to 30 June 2021</p>	
10	<p>Estates Strategy</p> <p>The Chair noted that it is very good paper and an interesting read. He asked AdL to run through key points from the strategy.</p> <p>AdL reported that the College did not have an estates strategy previously and it has been a positive and helpful experience to bring the team together and understand where we are now and where we want to go. AdL noted that it has been personally helpful since she took on responsibility for estates in September.</p> <p>One of the College's key priorities is sustainability and the Strategy puts this at the heart of what the College wants to do.</p> <p>AdL welcomed comments from the Committee on the strategy.</p> <p>The Chair felt it was a really good time to produce the document in the context of the merger, bringing the team together and setting out something on the record that links into the strategy and vision. It is a very good document to take into merger and discussions around the wider estates strategy for the merged college and provides a lot of detail. AdL noted that HCUC don't seem to have an estates strategy so it will be a useful framework.</p> <p>AC agreed that it is a very well written, cohesive document and a piece of work like this is very important, as is bringing together of a team.</p> <p>The Chair noted that it also provides a context of the working environment for staff and students. EM agreed and its shows that RuTC is a happy and healthy workplace.</p> <p>IV noted that the Strategy is very welcome and will allow the College to put its best foot forward in merger discussions. He explained about the recent conversations with Richmond upon Thames School (RTS) and whether it would be appropriate to share the Strategy with them. A partnership board is forming and one of the objectives is the use of estate and how to move that particular objective on. AdL noted that it would be really good to have more community aspects at the College and the Strategy does reference the REEC. The School</p>	

	does already have access to the College’s sports hall and sports field. The Chair agreed to re read the Strategy in that context and if it is suitable agreed why not.	JM
11	<p>Business Continuity Plan</p> <p>The Chair noted that the Plan is remarkably comprehensive. AdL reported that she had shared responsibility of the Plan with IR. An audit had provided helpful feedback and highlighted further areas to add the Plan. These have been included around the pandemic and contingency and lessons learnt. The final audit report has not yet been received but a closing down meeting has taken place which was positive.</p> <p>Item 4.9 schedule of testing was noted as outstanding from the report, awaiting examples form the audit report. The College has a testing programme in place and this will be included. It was agreed to re circulate the document once finalised.</p> <p>RESOLVED: The Committee approved the Business Continuity Plan subject to the inclusion of Section 4.9 – Schedule of Testing. The Committee noted that the Plan provided assurance that the College has the right processes in place and the final report would be shared with the Board.</p>	AdL SC
12	<p>Policies</p> <p>1.Tuition and Fees Policy (annual) – IR reported that there are very few changes, which are tracked on the policy. It has been compared against HCUC’s policy and the paper flags up the differences which are not material. There was a discussion about the exam resits fee on page 7. IR noted that the College could have breached the ESFA guidance rules, so he had re introduced the wording from a previous draft. He confirmed it is consistent with ESFA guidance. The latest additions to the policy have sharpened up the guidance.</p> <p>IV noted that it sounds perfectly reasonable and intuitive to charge students to attend a second resit if they fail to turn up for the first exam, but he questioned this around vulnerable students. He asked if the College should meet the costs itself and whether the cost would act as a deterrent to pitch up to the second exam. IR explained that the College is hoping for the opposite and that it would drive attendance to the first exam. The Committee asked how many students this would apply to. IR noted that it was hundreds in November, although EM noted that this is a year with Covid, and it is hard to benchmark against the norm. IV asked that if the policy was trying to drive non attendee numbers down from 100s to less than a hundred could the wording be changed. IR noted that it could and curriculum teams do take an appropriate approach with vulnerable students. The College feel the change will drive up attendance. It was agreed that the “may charge” gives the ability to check student circumstances and IR noted that the policy would be implemented kindly.</p> <p>2. Student Support Funds statement (annual) – the College does not have a policy but will issue the following statement - We administer bursary and similar hardship schemes on behalf of government agencies and adopt the applicable guidance in doing so. The College does not designate other funding from general reserves for this purpose.</p> <p>3. Financial Regulations including anti bribery/fraud (annual)</p> <p>IR noted that very few changes have been made to the policy. It was agreed to provide terms of reference links rather than include the full document in the appendices.</p> <p>RESOLVED: The Committee considered and recommended to approve the following policies to the Board:</p> <p>Tuition and Fees Policy Student Support Funds Statement Financial Regulations</p>	
13	<p>Risks relating to Finance and Resources</p> <p>IR noted that the high-risk areas are the Clarion funding, AEB and apprenticeships and it was agreed that these had been addressed elsewhere on the agenda.</p>	
14	<p>RuTC Trading Services Ltd AGM minutes from 15 March 2021 update and Letter of support</p> <p>The Chair noted that the AGM took place yesterday and the annual accounts, auditors’ letter and letter of support from the College were all considered signed off yesterday. The minutes and accounts were noted.</p>	

15		<p>ESFA case conference updates – 16 December 2020, 25 February 2021</p> <p>EM noted that it is a positive picture with the College progressing well with the financial position and complying with keeping the ESFA abreast with merger. The ESFA have a good understanding of the enrolment situation on AEB and apprenticeships and this has been shared with them. The impact of the additional in year funding has compensated these issues. There is a good relationship with no major issues, and it is a good ESFA working group. Meetings are very regular.</p>	
16		<p>Any other business</p> <p>There were no items raised. The Chair passed on his thanks to AdL, EM,IR, SC for pulling the papers together.</p>	
17		<p>Meetings for 2020-21 –30 June 2021 at 17.30</p>	

Meeting closed at 19:24