

Finance and Resources Committee
Wednesday 30 June 2021 17:30-19:30, Teams and Boardroom

Minutes

Committee	Jim Marshall (Chair); Rosh Sellahewa; Ian Valvona; Jason Jones (acting Principal and CEO) Sue Kingman (observer)
In Attendance	Alison de Lord (Assistant Principal HR, OD and Estates) Ian Rule (Interim interim Vice Principal, Finance and Planning); Sarah Connerty (interim Governance advisor)
Apologies	Andy Chew, Alison de Lord

Item	Time	Item Description	Action
1		Welcome and apologies The Chair welcomed colleagues to the meeting. An additional item has been added under item 7 around the eight risks from HCUC. Item 8 is deferred and will be picked up as part of the Board discussion on the 14 July. Apologies were received from Andy Chew and Alison de Lord.	
2		Declarations of interest IV declared he was an employee of DfE and SC declared that she was contracted through FEA for interim governance services.	
3		The minutes from the meeting held on 16 March and 4 May 2021 were agreed as a true and accurate record.	
4		Actions and matters arising Action 28 – VAT update. The Chair asked if now there is a merger delay the College can carry on current practice until merger happens and IR confirmed this was the case. The VAT bill will be less because it is a later dissolution date and it runs on a sliding scale. Action 44, 45, 47 – IT and the curriculum – there is nothing to update. It has not progressed during the merger. ACTION: The Chair noted that it should be picked up again to advance the action over the next few months. IR noted that because there is still an intention to merge the strategy will be the merged group strategy but he agreed that there should be another meeting of the RuTC Technology Strategy group to develop the concept of bring your own device, staff training etc. [confidential item] Action 49 and 56 – 2% payrise – this is included under item 6. Action 54 – Estates Strategy – The Chair has re-read the strategy. At the current time with the ongoing planning issues with the School he asked if it was the time to send the strategy. IV noted that he wants to progress the relationship where possible. If there is anything specific in the strategy around the planning issues, then it will not be sent but otherwise it would be good to share. ACTION: The Chair to catch up with AdL to take forward Action 55 - Business Continuity Plan – SC to check on the status of the plan. After note: The March Board received an update on the Plan but have not yet received the finalised plan with the inclusion of item 4.9 Schedule of Testing. Action 57 – cost of asbestos removal is pending. ACTION: JM to follow up with SFW	IR JM/AdL AdL JM/SFW
5		May 2021 Management Accounts Including review of Finance KPI targets for 2020-21 IR noted that the forecast has been checked around income and expenditure. The AEB income forecast has been marked down. It essentially comes down to the College putting	

	<p>courses on to run but not getting the sign up for them, so it is losing income through lack of attendance. The Chair asked if this is because it is the wrong courses, lack of interest or Covid. IR noted that he would only be able to speculate. It has been discussed with the GLA. The GLA are keen that business cases are put forward for colleges where AEB is undershooting. AoC London were saying that typical AEB delivery is around the 60-65% of allocation. RuTC is around 80% so has done better than local peers. IR noted that the College's provision is smaller than most. The College want to make sure they can maximise the income and will engage with the GLA business case process. The GLA don't particularly want to withhold funds but they can't just give the funds out, so they need a process. The wording is that costs will be covered rather than getting the income that would have been earned so there may be less income protection. The Chair noted that the College is being quite prudent in the accounts. IR confirmed that the accounts show the College is only getting what is earned so anything that comes back will be in addition to the forecast. IR noted that the negative variance has reduced on apprenticeships.</p> <p>In summary the College is forecasting an improvement in EBITDA, i.e. it will beat the budget which is positive.</p> <p>All the KPIs remain green.</p> <p>There is the risk around AEB and there are the risks on the capital side.</p> <p>The outturn in the main budget pack is based on April's management accounts.</p> <p>(SK joined the meeting 17.55)</p> <p>The Chair noted the contribution numbers which are all a bit below budget but are not material. IR reported that a lot is around AEB and a little bit is around staffing. When the 1% pay award was made the contribution dropped by 1%. The Chair commented that Hospitality and Catering is low for obvious reasons. IR noted that in terms of curriculum delivery hospitality and catering has been hit in the same way as other areas of the curriculum. Additionally, when the budget was set for the year the establishment list had deleted a post in error, so the actual spend is higher.</p> <p>Bad debt schedule – IR noted that the College has been working through the debt position inherited in 2019. It has taken a while to reconcile and there has been some success with debt collection but those proposed for writing off is a mixture of age and exhausting the debt collection process. The historic records are not as tight as IR would have liked. The amount to write off is within the bad debt provision so it feels that it was prudent. It is proposed to write off £130k of bad debt which is 87 individuals (mainly students). Because it is the first one and collectively it adds up to £130k IR felt it was better to bring to the Committee.</p> <p>RS asked if the provision is calculated through the same threshold of days past due. He asked if it is 45 days before going to the maximum provision amount and does it make sense to be giving more time on this? IR noted that it does need tightening up. The recovery process gets teeth in the latter part of the autumn. It is around academic years rather than 45 days. IR agreed to check and report back.</p> <p>RS asked if the Financial Regs need to be updated in line with this. IR to take this as an action and report to the next meeting.</p> <p>The Chair asked if there are other areas of concern when the debts are over three months. IR noted that almost all debts will be over three months old as they are generally from the start of the academic year.</p> <p>IR noted that there is £170k in the green category which is being actively paid.</p> <p>The Chair asked if the College's bad debt write off is comparable to other colleges. IR noted that it is difficult to benchmark and this covers a three-year period. It depends on how good the college's debt recovery is. IR noted that this is still being sorted and it will get better moving forward.</p> <p>SK asked if there is a policy around the writing off of the overdue amount and the chasing of that debt. Is the College writing off on a periodic basis? IR noted that procedures aren't</p>	<p>IR</p> <p>IR</p>
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	<p>bolted down as well as they should be. It would be around having exhausted the debt recovery process and the provision for bad debts is outlined in the accounts.</p> <p>RS noted that large outstanding bad debt was a big issue for the College a number of years ago and he put on the record a slight discomfort that the College is not on top of it. IR noted the College are on top of it this year. IR explained that the MIS and finance systems are not joined up which is not ideal because it does require manual effort. Fees come from adult enrolment, which is relatively low volume so it can be done manually.</p> <p>The Chair noted that an approach for a time limited debt being fully provided against seems sensible and he asked IR to come back with proposals around a policy for the next FRC. IR noted that he will check the Fin Regs and that will set out the policy.</p> <p>IR reported that the nature of debt is very different to banks. The commentary is based around a standard debtor's report from the finance system which ages debt monthly by default but the College bills on a termly basis at best. Having cleared off previous years the risk profile going forward will be less than it was.</p> <p>RESOLVED: The bad debt of £130k to be recommended to the Board for approval on the 14 July 2021.</p> <p>Cashflow</p> <p>The Chair noted that from an operating level the cashflow is healthy. It is the uncertainty around the capital spend that is the risk.</p> <p>[confidential item]</p>	IR
6	<p>Final Budget 2021-22</p> <p>1. Discussion on pay award for staff</p> <p>IR reported that the high-level budget came to the last meeting and the main concern was around the additional pay award. This was prior to additional work with the budget holders which has now been done. The 2% pay award has been included. The good news is that nothing of a material nature came out and it is very similar to the high-level budget.</p> <p>The Chair asked when the budget assumes to give the pay award. IR noted that there is an assumption from the 1 August this year. He added that one of the potential silver linings of the merger pause is that the College is in the driving seat with pay awards.</p> <p>IR reported that HCUC have been kept informed and HCUC's FD understands why the College wants to do it. It has been modelled for a 2% pay award for the whole financial year.</p> <p>If the College was going ahead with the merger it would send signals that couldn't be followed through on but if the Board believes it is something it wants to follow through on there is the capacity to do it.</p> <p>The Chair agreed that the 2% is affordable. IV noted that the rationale is around everything staff have been through and successive years of not having pay awards. [confidential item]</p> <p>The Chair asked what the overall assumption is for student number growth. IR noted that has been developed. The income is based on the funding allocation for the year because of the lagged funding model the College only gets paid for the allocation. The College is funding schools on the basis of half the growth they have put in and that demonstrates there is 25% growth in 16-18 numbers. IR feels that is too high and it has been halved to 12.5% but the teaching allocation would allow for 25% growth which is prudent. IR noted that one of two things will happen, the College will either achieve student number growth and expect to get in year funding but it is not guaranteed, or it won't achieve and there will be a measure of reduction in the pay costs. Overall the budget is conservative.</p> <p>SK asked about harmonisation of holidays for teachers and if there is a cost benefit in employing fewer staff. JJ noted there would not be because teaching staff contracts are set with annualised hours. The amount of teaching resource is the same but you would get</p>	

	<p>back a couple of weeks in terms of planning and enrolment giving more capacity and flexibility but no cost benefit.</p> <p>The Chair noted that there is a focus on teaching staff, but support staff have been cut right back and he asked if there have been any increases in line with student numbers going up. The Chair proposed that it should. IR noted that he was waiting for the benchmarking reports coming in. He would like a model but going into a merger it won't happen. It will become part of the HRUC set up. IR explained that when the College shrank support staff were not reduced initially so RuTC had implemented efficiencies.</p> <p>IR noted that the College are reliant on main grade lecturers and other colleges use different contracts with lower rates of pay for some of their teaching.</p> <p>SK recognised working on a skeletal level but that can't be done indefinitely. There is a need to recognise the importance of getting back to more normal levels. IR noted that most colleges would say because of the erosion in the rate of funding, it has not been possible to sustain the previous levels of support staffing in particular.</p> <p>IV noted that he would welcome a recommendation from the Committee in the context of the pay award. It is about rewarding staff who have stayed, the College has cut back and staff are working hard, a huge amount of due diligence has been done around affordability and reflecting on harmonisation and merger. The Chair agreed that if it wasn't for the harmonisation point he would be very supportive of the 2% pay award and he asked JJ and AdL to provide a detailed view on this.</p> <p>RS asked if the budget is assuming the same pension contributions as last year. IR noted that the establishment file has been updated to factor in incremental growth and the detailed work has been done on pensions and NI contributions. A contingency for pay and non pay has been kept in for genuine unknowns.</p> <p>The Chair noted that the key risks on page 5 have been discussed apart from the pandemic risk.</p> <p>IR noted the change in financial health in item 6.2c which has moved from inadequate to outstanding in 2022-23. IR reported that there is a change to the financial health scoring which works in the College's favour.</p> <p>The Committee noted that staff costs next year are still at the benchmark 65%.</p> <p>SC asked if the 2% pay award and the report can come through SRP Committee on the 13 July prior to the Board and this was agreed.</p> <p>The Chair asked IR for a view on when the pay award would be paid to staff, and IR proposed as close as possible to the 1 August 2021.</p> <p>It was agreed that to continue good relations IR should speak to HCUC about it and IR noted that it has been considered with HCUC's FD and the figures have gone into the merged budget.</p> <p>IV reported that if it is in the combined budget he wanted to take this forward and it takes the position to a different space. From an operational route DDS can discuss this with his Board. JJ to give DDS a clear opportunity to come back with any concerns prior to the RuTC Board on the 14 July.</p>	<p>AdL/JJ SC</p> <p>JJ</p>
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		RESOLVED: The Committee recommended to accept the Budget for 2021-22 and present to the Board next month for approval including the 2% pay award for staff on the proviso of the merger implications which will come as an appended item from JJ and AdL	
7		<p>Merger workstreams update for finance:</p> <p>The Chair noted that a risk analysis paper which has been developed from the HCUC eight risks has been included in the papers today. The Chair felt it was very helpful and if it is going to be shared he suggested that the red items are noted as areas out of the College's control. [confidential item]</p> <p>The Committee agreed that they were happy for it to be circulated but would like AC and VN to have sight and comment of. IR agreed to draft a further email to AC and VN and wait until tomorrow lunchtime before circulating as a draft document to invite further response and feedback.</p>	
8		<p>HR report - this item has been deferred and a report will come direct to the Board on the 14 July 2021.</p> <p>Review against HR KPI targets for 2020-21</p> <p>Merger workstream update for HR</p> <p>Annual report on Trade Union facility time data</p>	AdL
9		<p>Policies</p> <p>RESOLVED: The Supply Chain Fees and Charges Policy 2021-22 was recommended for approval.</p> <p>Subcontracting Contingency Plan</p> <p>RS noted it read as if there is a plan to make a plan and he hadn't felt from reading it that there was a contingency plan. IR noted that it does depend where the shortfall is and agreed that it could be clearer around that. RS suggested that if something went wrong this is not a document that could be referred back to. IR noted that is the intention of the bullet points. The Chair agreed with RS's concerns and he asked IR to go back to SFW and put together something that sets up what the plan would be. RS noted that it could just be the ordering of the items in the Plan. It was agreed to circulate a revised plan by email.</p>	IR/SFW
10		<p>Risks relating to Finance and Resources</p> <p>College risk register - it was agreed that all the items within the College risk register have been discussed in the meeting. IR noted that it is helpful to have the risk register included as a safety net to ensure the Committee is considering all the items of risk it should be.</p> <p>Merger risk register – confidential item</p>	
11		<p>Review of effectiveness of the Finance and Resources Committee</p> <p>SC noted that the review matches the Committee's terms of reference against business conducted throughout the year. The review demonstrates that the Committee has operated well. Last year, because of circumstance, the Committee had to focus heavily on financial matters, so IT and Estates and HR matters were not included on all agendas. This year this has been more balanced with HR items moving to the top of the agenda for thorough discussion and IT matters considered. An Estates Strategy and an Environmental and Sustainability Policy came to the Committee. Compared to seven amber areas last year this year there are two. These are:</p> <p>18 - To approve expenditure within the annual estimates and in accordance with the Financial Regulations, and to monitor actual expenditure.</p> <p>All members of the Finance and Resources Committee will receive monthly up-dated actual and projected income and expenditure figures, together with cash flow statements – this was much improved this year with only February 2021 missed.</p> <p>34 - To review the College's IT Strategy before submission to the Corporation for approval – this is due for submission at the 30 June meeting but due to merger priority has been given to the joint workstream on IT and systems</p>	

	<p>Attendance is 90% compared to 76% last year. There is an experienced membership with the right skills to support and challenge Committee business with attendance from the interim VP Finance and the Assistant Principal HR and Estates. Membership will be a focus from SRP due to the merger pause and the standing down of the current Chair. It is important to ensure there are qualified accountants as part of the Board membership.</p> <p>The Chair passed on his thanks for the support in preparing quality papers and leading on discussions.</p>	
12	<p>RuTC Trading Services Ltd update from the meeting held on 29 June 2021 Recommendation to increase the letter of support to RuTC TS</p> <p>The Chair noted that there was a meeting yesterday. IR reported that Trading Services will have largely exhausted the letter of comfort because it had anticipated more of a return during the last period. There have been difficulties around bursaries which are going directly into student's bank accounts rather than onto student cards and through the catering tills. The current facility is £36k of support and the request is to extend to £60k of support to take into account the start of the academic year. The CLT will separately look at the bursary card issues.</p> <p>RESOLVED: The Committee recommended to the Board an extension to the letter of comfort to £60k</p>	<p>IR</p> <p>IR</p>
13	<p>ESFA case conference updates from 24 June 2021</p> <p>IR reported that meetings are back to monthly. All areas at the case conference have been considered on today's agenda. IV noted that he has found the ESFA very helpful and they have rolled their sleeves up and are providing support around the planning matters.</p>	
14	<p>Any other business</p> <p>IV thanked JM for being such a brilliant Chair over the last year and a half and for being considered, expert and cheerful. The Chair thanked the Committee members and the staff, in particular IR and SC and the others for producing quality papers and making his job a lot easier.</p>	
15	<p>Meetings for 2020-21 This is the last meeting of the Committee for 2020-21</p> <p>Meetings for 2021-22: Thursday 23 September 2021 Tuesday 23 November 2021 Holding dates: Tuesday 15 March 2022 Wednesday 22 June 2022 All 17.30 starts</p>	

Meeting closed: 19:55