Finance and Resources Committee
Tuesday 11 October 2022 17:30-19:30, Boardroom and Teams

Draft minutes

Committee	John Anderson (Chair); Rosh Sellahewa; Jason Jones (Acting CEO and Principal) Sue Kingman (observer)
In Attendance	Alison de Lord (Assistant Principal HR, OD and Estates) Shane Woodhatch (Group Director Finance and Resource Planning HCUC and RuTC); Chris Dearnley (DfE); Sarah Connerty (interim Governance advisor)
Apologies	

Item	Item Description	Action
1	**Welcome and apologies** The Chair welcomed colleagues to the meeting and no apologies were received. The Chair noted that there is a significant and substantive item on the agenda at item 6 around the capital and planning and finances which will go to the full Board. It was agreed that this is where most of the time will be spent today to understand the options, risks and finding a way through.	
2	**Declarations of interest** SW noted his position at HCUC and confirmed that at this meeting his fiduciary duty is acting for RuTC. There were no other declarations received.	
3	**The minutes from the meeting held on 22 June 2022 were agreed as a true and accurate record.**	
4	**Actions and matters arising** **There is one outstanding action:** **ACTION 3 -** The Chair suggested that subject to resource the College does a dipstick audit of a particular peer group (2 or 3 groups). **ACTION:** further analysis on the gender pay gap of 2 or 3 areas with enough granularity to give confidence to the Committee. It was agreed that this would empower the College to make decisions to address any problems with the gender pay gap. AdL reported that there has not been the capacity to carry out this work	
5	**HR update** 1. **HR KPIs for 2022-23** **The Committee considered and recommended to approve the HR KPIs for 2022-23.** 2. **Workforce Composition Report 2021-22** AdL explained that the report is a housekeeping exercise and round up reporting on staff. The KPIs summary is the most useful indicator of the College's position. Key points included: • **Staff sickness** has gone up partly due to Covid and partly for other reasons. The sickness absence trigger meetings which were suspended during Covid will be reinstated • Average **staff turnover** has gone up a lot. This is a national picture. There is the great resignation following Covid. Benchmarking is not yet available from other institutions, but this will be helpful for the College to look at its position and will be shared with the Committee • **Recruitment activity** has tripled in the last year and this impacts on establishment and staff costs. The recruitment market is really hard at the moment. Construction is a real risk. There have been a lot of interims in due to the merger pause and hard to fill positions.	

	The Chair noted that it seems an expected outcome of the College's current circumstances that KPIs items are red, and it is assuring to see that the systems used by the College are working and demonstrating a true picture. • **Staffing contracts** – the College is technically still in dispute with UCU until November 2022. Three members of staff left the College because of being in dispute with the new contract. All staff started working on the new contract from September. A JCC meeting has not taken place to date and there are new staff union members in place. The cost-of-living crisis is a big issue nationally, and a number of colleges are in a 10 day strike over pay. The AoC have put out their annual pay recommendation. It is expected the union will come back to the College on pay. The Chair asked if the new working model is coming through and showing a benefit. AdL noted that there has been an extra inset day this term to date and another one next Friday and this is going well. JJ noted that the impact seen by staff is working to rule and not attending open events and parent evenings. The absence of these staff has not been felt and the College continues to move forward • SW noted that there is a 2% **pay award** budgeted. SW reported that he would like to redo the budget and bring to the November Committee to ensure the cost base is right. The AoC have recommended a consolidated uplift in pay of 2.5% for all staff. A £500 non-consolidated payment to be made to staff up to a threshold to be agreed locally and subject to local affordability and for staff earning less that £25,000 per annum the non-consolidated uplift should be £750. Staff would be appreciative of a contribution to inflationary costs and SW would like the time to work this through. AdL noted that the teachers that signed the contract have had a pay increase as part of this offer. • **Enrolment** stands at 2018 against 2096. The final ILR for last year and the first ILR for next year will be available for the November meeting. That will have an impact on the allocation for next year. The Chair asked if there are plans and actions for retention above the normal model. JJ reported that there is a College process called Moving on Target (MOT) where students are supported with 121s as part of the enhanced induction programme and targets are set at the start of the year. Retention post day 42 was 94% last year, but attrition was 9% before this. The aim is to get to 7% attrition. SW noted that HCUC are 200 enrolments down. Anecdotally students are going out to work because of the cost of living, some schools are holding onto their learners because they are safe in that environment and the proper impact of TAGs has not yet been felt. The Chair asked if AoC are picking up this trend and getting the messages to the DfE. JJ reported that he had attended the AoC London Principals meeting, and this was a current theme across all but one college and the AoC have committed to lobby the DfE on this. **3. HR and Organisational Development Plan 2022-23** The Committee noted the plan.	
6	**Finance update** **1. College Financial Forecasting Return (CFFR) including Finance KPIs for 2022-23 for RuTC, HCUC and HRUC** SW reported that there was a wish from the JSG and HCUC board for SW to provide a consolidated forecast of the two colleges' budgets. There is assurance from this work that there is little impact from merger on the financial health score. SW ran through the KPIs (see appendix 5e): EBITDA – RuTC (8.16%), HCUC (11.61%), HRUC (10.81%) Health score – RuTC (Requires improvement), HCUC (Outstanding), HRUC (Outstanding) Cash days in hand – RuTC (0), HCUC (240), HRUC (172) – this KPI is an indication that if something happens a college can stand alone for 172 days and meet its financial commitments. **RESOLVED: The Committee recommended to approve the finance KPIs for 2022-23** 2. **July 2022 draft Management Accounts**	

	SW reported that the accounts are subject to audit. There will be adjustments on the final ILR due at the end of October. Adjustments to include: • the College is awaiting the annual pension statement • AEB to have a potential claw back of 75% • the FRS102 is not yet known but could be a six-figure sum • there are items in the balance sheet that needed to be expended with an audit adjustment of c£35k In all adjustments could be between a £100-200k adjustment to the bottom line. The Chair noted that the breakdown of the merged institution was helpful and would have been beneficial for JSG and HCUC. **3. Loan arrangement including 2020-21 – 2022-23** The Chair noted that the current position for RuTC is to either standalone and go insolvent and to either try to build STEM or not build STEM. SW noted that he has laid out three options in the paper. The financial statements are being audited at the moment and there is a need to evaluate RuTC's Going Concern and determine whether the College is solvent. During the merger process it was known that RuTC would run out of cash post 31 July 2022. The cash projections are based on a direct cashflow method. There is an overdraft facility for £183k, this is based on the assumption that the overdraft facility will be withdrawn. Barclays will call in the overdraft on the first payment by Clarion. SW has contacted Barclays to request an extension of the overdraft based on the certainty of merger. This has been rejected. In discussion with the DfE the College is looking at the Provider Market Oversight (PMO) providing a bridging loan for RuTC. Documents requested have been submitted to the PMO and queries are being addressed. The business case will be recommended to the DfE finance committee on the 3 November. Following agreement, it would be signed off by the ESFA accounting officers and have Ministerial sign off. The DfE have sat in on the College meetings and it is likely to be a positive decision. The loan would be to help the College meet its short-term liabilities and be able to go into contract with ISG and fund the shortfall for inflationary costs (£5.3m). The College is anticipating £1.5m grant funding from the GLA. The issue faced is that the ISG contract is valid until the 15 October before incurring inflationary costs of £300-400k and the DfE approvals would not be in place until the 17 November. Key parties are working to see if decision making can be brought forward. At present the stars aren't aligned. The third option is for the College to go into liquidation. An insolvency regime was put in place for FE Colleges in 2019. SW noted that it is not an ideal option because it will encompass a wide range of issues. SW recommended the best option is acquiring the loan from the DfE. Once merged HCUC is able to absorb that shortfall if additional funding is not found from the DfE. The Chair noted that RuTC would certainly qualify for insolvency. It is for the Committee and the Board to understand the risk and roads through this alongside the merger friction and the consequences that the shared parties will need to pick up when making a decision. HCUC may make a recommendation to merge but there is a period of time when this position can be retracted, and this is an execution risk with the standalone institution taking on the debt liability pending that execution. It was agreed that this needs to be a Board level comprehensive discussion with all the available options detailed clearly by the SLT. It was noted that there are enough assets to meet any credit demands but not to provide an educational service which is the College's core business. It is a complicated moral dilemma for the Board to consider. SW noted that the GLA and DfE can see the situation and he is fighting every corner to progress funding and expedite the timescales. SW has written to the Chairs to escalate. The SLT needs to	SLT

give assurance to go ahead with the ISG contract but needs the loan in place to allow the Board to approve and HCUC needs to know the liability going forward. Chris Dearnley is also pushing to expediate the loan process. SW noted that is the time to speak to the decision makers.

The Chair noted that he was assured that SW is doing everything he can in the circumstances. The rationale behaviour is to move into insolvency so there needs to be a clear business case on the alternative option.

The Chair asked what we can do as a legal entity pending merger. The most critical thing is that the Board do not accidentally make decisions that would have made a bad situation worse. The asset that is backing up the debt is the money sitting on the balance sheet. The point of entering into the ISG contract is a critical element of the merger and can't be entered into until there is certainty on liquidity. The risk is the £3000-4000k increase to the ISG contract price if the 15 October ISG deadline is not met. This is the incentive for the DfE to get this done.

The Chair noted that it is about managing the next milestone and getting a quote that is live when there is debt and merger certainty. JJ noted that the College has instructed Fusion to get a new quote from ISG for the 17 November. This is two weeks on from the Ministerial sign off. That is in train now with Faithful and Gould (QS). SK agreed that there is a need to plan and assume an additional quote that is increased by inflation.

The Chair noted that the Board would need to see the commitment in writing and be assured that RuTC can call on it. When the Board meets for this discussion and decision making it needs to have the confidence that the money is there to enter into contract.

SW noted that the HCUC board are meeting tomorrow night and following this decision he will go back to Barclays to see if they will entertain extending the overdraft.

The Committee noted their confidence that SW is doing everything within his power to progress all options available. The Chair asked that the College is keeping in communication around this with its auditors. There is a wish to do more to guide and advise and the Chair suggested that SW continues to escalate and use Board members and stakeholders who are able to access ministers to escalate the College's position, noting that SW had already been in contact with Ian Valvona and Keith Smith.

SW noted that he would continue the good fight and does feel supported by the Board and the Committee.

SK asked at what point does the insolvency point crystallize. SW explained that the College will not commit to building unless there is line of sight. There is then a risk of claw back and not meeting obligations of contract. The College would have to wait for GLA to initiate their rights under the contract. From a funding point of view the lowest point is March 2023, where there is a £1.6m projection in terms of cash position. At this point the ESFA can be asked to bring forward the funding to manage the cashflow to meet liabilities. The College needs to pay staff, pensions, energy and the rest is then pushed back. It is not a decision to make now. The College will either get the ok from the DfE or go back to ISG and get the higher quote.

RS asked at what point on the horizon will the College become incapable of paying debts as due and does the Board have a responsibility to acknowledge this. SW confirmed this was March 2023 and this will be relayed to the Board.

The Chair noted that if the College does not build STEM there are all sorts of consequences. It is sitting on an asset of land, a non-core asset that is tied into a Clarion contract. There will need to be a change in circumstance and relationships if there is a Board decision not to proceed with STEM.

SW assured the Committee that he is looking at cashflow on a weekly basis and six-week projections. There is assurance that key Board members will be informed of any changes.

RS asked about administration who is the most likely buyer. JJ noted that it would be an educational organisation, either HCUC or another provider.

The Chair thanked SW for the thorough and transparent discussion which will lead to a governing body level discussion in the coming weeks.

4. Staff pay award update

	This was covered under item 5	
8	**Merger update** **1. Merger workstreams related to Finance and Resources.** SW updated as follows: • The financial forecasts have been done and shared transparently (see item 6) • Work is being done to understand the security arrangement on RuTC assets. This is only Barclays and will be called upon on the first tranche payment from Clarion • Pensions - SW will notify the Secretary of State when a merger date is set. A directions order will be issued which will allow Hillingdon to begin the transfer process with Wandsworth. This is a six-month process and based on a December 2022 merger date will conclude round April 2023 • Payroll – considerable work has been done by both colleges HR departments. The aim is to run two parallel tests prior to merger and to have one payroll dual run in place after merger • Supply lists and costs base – HCUC use Tenet and this will continue post merger. The aim is to realise efficiency savings post-merger and that work has started • Finance systems – the aim is to use the HCUC system and set up is there to accommodate onboarding by RuTC which would be done as quickly as possible post-merger • TUPE consultation – this is being relaunched. There is a joint JCC on the 14 October and a letter will go out to staff at RuTC on the 17 October • HR systems – a cost benefit analysis of HR systems is in progress and post-merger it is likely the RuTC system will be used. The Chair noted that the JSG met yesterday, and good governance and support is in place around the merger. SK asked if the previous pension issues have been resolved. SW explained that there were two issues. The London Borough of Hillingdon were changing their provider for overseeing pensions. RuTC were moving from Richmond to Wandsworth pension providers. Both of these were an issue based on the original merger date but are now resolved and there are no risks to merger around pensions. SW noted that the RuTC pension database is small at around 200 and this will be a manageable process. 2. **Merger risk register from the 10 October 2022 JSG.** This was noted.	
9	**Risk register relating to Finance and Resources** The Chair noted the comprehensive register where the main issues are now around whether the College merges or not. Many categories are red with the key risk being the future viability of RuTC. AdL noted that the register provides a cataloguing of the issues discussed on the agenda. It was noted that the full risk register will come to the Audit and Risk Committee on Thursday for recommendation for approval to the Board.	
10	**Policies** **1. Health, Safety and Welfare policy** AdL reported that there had been a sound review of the policy last year and there are no material updates to the policy as it is pending a statutory policy merger with HCUC. It was agreed to hold the policy as it is and bring forward a policy review in the event that merger does not proceed. **RESOLVED: The Committee recommended to continue with the current Health, Safety and Welfare Policy** **2. Environment and Sustainability policy update** AdL reported that the policy was developed last year. It is not a statutory policy but is an important policy for the College. Conversations are taking place with HCUC around sustainability and will continue. **RESOLVED: The Committee recommended to continue with the current Environmental and Sustainability Policy** AdL reported on action 2 - **initiatives for reducing energy consumption** and the Committee noted the appendices on energy certification. SW reported that energy prices are going through the roof. HCUC has been in contact with its energy broker and historically energy bills were £700k. They will increase to £2.8m uncapped. Six months of government support is £400k. This will add an	AdL

	additional £1.7m to the budget. SW will work with MB to see what contracts can be secured going forward. SW assured the Committee that the colleges were not engaging with any Russian organisations and were committed to entering into contracts with green energy. The HCUC Board have been notified of the increases and once costs are confirmed SW will inform the Committee and Board. Work is underway at the College with staff and students to reduce energy consumption and this is an agenda item on the all staff addresses and a sustainability champion is in role to lead on this work.	
The remaining items on the agenda were for information and monitoring and the Chair asked officers to raise any areas for advice, guidance or instruction or the Committee will appreciate the content for information.		
11	**Annual Health Safety and Welfare Report 2021-22** The report was noted and AdL reported that Audit and Risk Committee will have a deep dive on H&S this week.	
12	**RuTC Trading Services Ltd minutes – this meeting has been deferred to the 7 November 2022** The Chair asked about operating footfall and cash. JJ noted that footfall is good and will be reviewed at the meeting on the 7 November 2022.	
13	**Annual reporting of trade union facility time data** The Committee noted the report and AdL reported that there are no changes in the mount of remission, just the union representatives.	
14	**Reclassification of FE sector** SW reported that FE Colleges are currently classified as part of the private sector-a decision taken by the ONS in 2012. That classification has remained in place and is only now being revisited by ONS following the coming into force of the Skills and Post-16 Education Act 2022 which gives the Government more control over FE Colleges. Advantages include funding as paid to schools, including NI compensation, VAT relief, business rate compensation, risk protection and financial support for teacher training. Disadvantages may include a limit on the borrowing by FE colleges, the ability of FE colleges to merge, diversify or acquire or dispose of assets or other entities, build reserves or retain reserves. SW reported that HCUC currently has £31.5m of reserves which it is moving to an Arms Length Foundation (ALF) prior to the end of the month when the reclassification may come into effect. This would allow HRUC to be able to invest, pay the going rate for hard to fill roles and fulfil its financial strategy of investing £15m to accrue an annual £500k interest. HCUC have approved the ALF and three trustees have been appointed. The Chair noted that he hoped there was legal advice and SW confirmed that the College was working with Eversheds and similar schemes had been set up in Scotland following reclassification. The Chair asked if the cash would be consolidated into the group accounts of the college and SW confirmed that it would be a restricted cash reserve like a subsidiary.	
15	**Ofsted preparation relating to Finance and Resources** JJ noted that there was nothing specific to report for FRC. The preparations continue and the College still has the ongoing support from the FE advisor Pauline Hagen.	
16	**Any other business** There were no items raised.	
17	**Meetings for 2022-23:** 22 November 2022 17:30 start	

Meeting closed: 18.39