Finance and Resources Committee
Wednesday 22 June 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 & Estates) Ian Rule (Interim VP Finance); Sarah Connerty (interim Governance advisor); Chris Dearnley (ESFA); Shane Woodhatch (VP Finance HCUC)
Apologies	

Item	Time	Item Description	Action
1		**Welcome and apologies** The Chair welcomed colleagues to the meeting and welcomed Shane Woodhatch who is attending FRC as an observer as part of the handover with IR.	
2		**Declarations of interest** There were no declarations received.	
3		**The minutes from the meeting held on 15 March 2022 were agreed as a true and accurate record.**	
4		**Actions and matters arising** • **Action 2 Implementation of IT** – IR reported that all of the IT investment with the opening of the building is rolled out. The team is lacking statistical data on the utilisation of different pieces of kit. It would be welcome to invest in more laptops, but this needs data to support a business case. The Technology Strategy group is looking at the management of laptop resources and there had been an attempt to centrally manage. This has not been successful, and the group want to put this management back in the hands of curriculum teams with safeguards in place with immediate effect as they have a better feel for the equipment and its best utilisation. The big question is around thin client open IT spaces and how effective that strategy is. There are doubts about them but no solid data yet to confirm one way or the other. There is in the budget a modest amount for desktop and laptops, but this is around additional teaching numbers and one additional teaching space. The strategy in the main is around the move towards proposed merger and integration. SC noted that this action and update will be shared with the CQS Committee. • **Action 3 – Subcontracting**- the Committee is looking for a plan around the use of subcontracting by the College up to and including merger. It is not just a finance issue but covers reputation and the curriculum and where should this item be governed from – see update at item 8 • **Action 4 – Balustrade –** IR noted that the spec has gone out to tender, and responses are awaited and will then be submitted for approval. The Chair asked if there have been any events or incidents and whether this is a managed environment. JJ reported that there have been no incidents and the environment is well managed • **Action 5 –** RS asked about the age debtor and the negative figure in the ledger. IR noted this was a housekeeping issue because of transactions coming in in a	SC IR/SW

		different time period and would be rectified. IR confirmed that this has been actioned and is included in the May 2022 management accounts pack • **Action 6 -** The Chair questioned how high staff costs as a % of income could go to remain below 65% post-merger. IR noted that it would be a quarter of the merged college which had some scope and agreed to model it – IR noted that he has not modelled this. RuTC will be around 25% of the overall merged college, In the budget staff costs have been kept to 70% which is a deliverable result and not too far from the benchmark. The SLT accept and understand that it is not bringing down that figure and that the consolidated figure would not bring undue pressure on the merged institution. SW noted that work on the merged accounts and forecasts is currently taking place and will be finished tomorrow and be presented to the JSG on Monday. The Committee noted that the resources for the quality implementation plan and not underinvesting in core delivery were the important factors which had led to an increase in staff costs as a % of income. SW noted that he was not surprised by this • **Action 8 –** asterisk around non completion of voluntary online courses detailed in Health, Safety and Welfare report – AdL confirmed that the discussions at the last Committee have led to a change in the way this reporting is done. The Committee's focus is on mandatory and statutory training and there has been a big push on completion. Data will be included in full report at end of year. • **Action 9 -** AdL to review the full risk register to check there is a relevant risk around the MIS/data reporting – AdL noted that on the operational risk register there are a number of MIS data reporting points. The main register only includes those with a risk rating of 16 or over. There is now a new reporting template for tutors which provides each student with an attendance rate for each subject. The process on risk registers, finalising and reviewing annual development plans to prepare for the next year is underway. AdL noted that the College has a different process from HCUC but will provide enough data and overlap to feed into the SAR. • **Action 10 -** A wish list of improvements to the building to be drafted. AdL to speak to Fusion for assurance on climate control with the new portioning. Programme of works for the partitioning to be sent through to the Committee – AdL confirmed that a wish list was created and used through the budgeting capital process. For the climate control Fusion confirm there are no amendments required to air handling as part of the project. Mark Brough is chasing Fusion for a programme of works from Edmont which AdL will circulate to the Committee when received. It is hoped that the works can be completed by the end of August. The report on leak damage tender will be received by the weekend.	AdL
5		**April 2022 Management Accounts (including Finance KPIs)** IR confirmed that the April 2022 pack is included for the Committee to compare with the budget. There is a consistency across both, and both have been put into the draft financial forecast return. For the 4th consecutive month there are no major variances and there is a lot of consistency in the forecasting. More conservatism in terms of the apprenticeship income forecast has been included. The College is starting to see an uptick in apprenticeship starts which is positive for next year's position. All of the KPIs are red and that has been the position for some while but there is still that stability. The key risks remain around the capital project and until the College gets to the planning meeting next month there won't be much movement. The Chair asked with the period of industrial action, including strikes, is pay being withheld and how does that factor through to the expenditure and cash management. IR confirmed that the College is withholding pay and that hasn't been reflected in the forecast. June's payroll was approved today, and the strike variance is around £25k. This is more than expected. AdL noted that was a full week of strike days. There is an expected strike next week, but it is expected that it won't be as high for July's pay.	

		The Chair asked is there an anticipation that the withheld pay will remain withheld. AdL confirmed that it would be. The Chair asked about cash management within the managed debt facility which is mostly sensitive to the capital position and is there assurance that there is sufficient capacity within that loan to manage through to the proposed merger. IR noted that there are periods, if the College is standalone to the following spring, where there are some dips. The Committee asked if the overdraft is fixed rate on the borrowing or variable against a base rate. IR confirmed it is the latter and the Committee noted the need to ensure increased base rates are factored into the budget. IR noted that the cost is low, and the College has made little use of the overdraft to date. There will only be a need to use it for a few months dependent on when the Clarion monies come through.	
6		**Proposed budget 2022-23 (including draft Finance KPIs) and outline budget for 2023-24** IR reported that the high-level budget came to the last meeting. There is now clarity on income streams and budget meetings have taken place. The format is familiar. Included is the internal allocation of the budget across all the cost centres and schedules from the draft CFFR because it is a pre-built model that has to be submitted. Finance has also produced the College's own cashflow model and there are differences but not materially and IR is confident that Finance's own predictions are reasonable. KPIs are included; one of the key ones is the staff costs which is 70% and stays at that level. The overall financial health rating EBITDA is quite high, which has to be to generate cash to pay leases back. The asset cash ratio is poor and that is where improvement is needed. The overall financial health score is Requires Improvement. This is around cash, so it is not a surprise. The model gives a fair reflection of the College's position. The College had previously modelled Good for this year and Outstanding for next year, but this was based on student growth and the College has needed to implement a quality recovery plan which has an associated cost. All the cost centre budget holder meetings have been completed and there has not needed to be a stringent policy on non-pay costs. Provision for inflation, cost of living awards for staff and added contingencies has been included and there is enough in there to manage the normal amount of risks. The Chair asked whether the budget had been discussed and shared with SW and HCUC as part of the development process. SW confirmed that he had not yet shared with the HCUC Board as the figures will come to the next JSG. For HCUC the budget has been approved this morning by FRC caveat to be approved by the Board in July. RS asked about cash days in hand for year ended 2023 which shows that there is next to no cash remaining reflecting the fragile cash position. IR confirmed this is correct. The budget is based on the College continuing to operate independently. The Committee asked what the assumption on energy cost increase is. IR confirmed that contracts are fixed to next spring so exposure for the next financial year is limited. The following year's assumptions could have added more and are based on the projections that the estates manager provided. There is a budget held centrally for utilities costs which can be utilised. The Chair asked if the energy provider is able to cope with this position and IR confirmed it is SSE, one of the larger providers so they should be able to. The Chair provided an example of his own institution which has seen a 60% rise in energy costs. RS asked if there are any initiatives for reducing energy consumption which weren't cost effective 12 months ago but now might be the right thing to do. IR noted that the SLT have not thought about this enough yet. The building management system is capable of all sorts of things and there are additional modules that could help drive further efficiency. The Chair asked that this a specific action which is overseen by the Committee. **ACTION:** The Committee asked the SLT to look into initiatives for reducing energy consumption, particularly looking at the potential of the new STEM centre	SLT

		JJ reported that one of the curriculum members of staff has the brief to look at sustainability across all operations. It has been deliberately positioned in the curriculum to embed through the College. The Chair noted that the College is in an unusual position to be able to plan energy utilisation more strategically through next winter due to the fixed contract. HCUC will be pleased to see such careful management of the resources. The Chair suggested that in order to manage cash balances RuTC should be making sure it is in constant conversation with HCUC on leases and liabilities. The Chair asked if other than the major capital project are there any other significant uses of cash that could give a fundamental issue over the next financial operating year noting the risk that the government could implement a cost-of-living increase over the country. IR noted that there are macro factors, and it is very difficult to forecast. There are some unknowns in the capital expenditure such as the ISG contract costs and GLA funding. It is stated in the assumptions about leasing and nearer the time a term loan might be preferable and conversations with Barclays will take place if the College is standing alone at that point. If the colleges do merge SW will look at the overall financial position and with all the moving parts may choose to avoid borrowing at all. SW noted that he needs to understand the position in more detail. Currently the College is forecasting an overdraft just over £900k. IR explained that the cash outflow is to do with the redevelopment fund and the timings for receiving the money from Clarion. SW agreed this is a timing issue and needs to be clearly explained for HCUC. IR clarified that he has been gradually pushing back the Clarion money in the forecast, the most recent iterations had the first tranche coming in in 2021-22 year but that hasn't been received. The budget now refers to September 2022 and there is nothing to suggest at this point that that won't be the case. SW noted that HCUC has 2% in budget for pay costs and the Chair has challenged for 4%. That is a risk that would give further pressure on the budget. IR noted that the government could make an announcement for the public sector, but colleges are not classed as such. The Chair asked what the annual cycle is for pay agreements. AdL noted that this is delayed until the enrolment numbers are in to understand the funding situation. The decision goes through the Board and is then backdated to the 1 August. SW noted that HCUC is meeting the unions next week. It is about affordability, and it would be conditional on 16-18 provision where there is growth as the college does not want to make redundancies further down the line. The Chair noted that the Committee has considered the budget in detail and reviewed the risks around energy and cost of living within the standalone budget and that it is working closely with its merger partner HCUC on the budgets. **RESOLVED: The Committee recommended to approve the proposed budget 2022-23 and the outline budget for 2023-4**	
7		**HR update** **Review against HR KPI targets for 2021-22** AdL reported that the picture remains the same as the March update for sickness absence. This has exceeded the 7-day target already and reasons are partly covid and partly staff morale related. Staff turnover is now being reported through the year and already at the end of May it is 12.9% against a 13.8% target. Some staff have left because of Covid and work life balance. The industrial action has had an effect on people. Staff have until the 31 August to sign the new contract and recruitment is an issue generally. The Chair asked if there is data supporting the understanding and expectation of staff and how much will these morale issue and disappointing data impact on learner outcomes and the QIP. JJ noted that it is difficult to quantify the impact. The morale issues are significant. Staff are committed to their students. In tangible terms the report to CQS Committee on the predicted achievement rates shows the College is not back to national average but at around 80% with an 8% improvement on last year. This is based on robust	

		assessments and teacher performance grades in year, so JJ is confident in the data. There is a business rationale for the changes to the terms and conditions which is to have more consistency of practice and more inset days. The Chair noted that there are more extenuating circumstances at the College than you can imagine and asked if the College is using all the tools and mechanisms it can to support the community. JJ reported that the College has always had a student first approach. For example, when the College was flooded it only closed for one day when a quarter of the building was out of action. The College teams moved timetables and classrooms, so the curriculum did not suffer. JJ noted that he can confidently talk about the action taken to minimise the disruption on learners across all of the extraordinary situations over the last year including the strike action. RS asked for further clarity of the **Gender Pay Gap** report. AdL reported that the College reports on the gender pay gap at the end of March as this is a statutory duty. The mean is in line with others in the sector. The median is higher than other colleges, because a large proportion of women are in the lower paid jobs as the College contracts out cleaning and catering. It has been talked about at Board level about whether to move to London living wage, but this would be difficult because it would erode the pay scale at grade 3 and part of grade 4 and would impact on higher grades. If the College is looking at a pay rise a minimum amount at lower pay could address this in part. If it was decided to focus on reducing the median gender pay gap a whole job evaluation and comparison with HCUC would need to take place. AdL noted that she had shared the data with HCUC prior to the committee. SW noted that HCUC are not alarmed about the gender pay gap. It is a data point that is important and there needs to be a firm understanding with a rationale reason on how to manage it. RS asked if there is a view on the gender pay gap when comparing like for like. AdL noted that the other quartiles are ok so there isn't a big disparity at any other quartile. The reporting requirement is not for comparisons at job role level – but as there is a job evaluation process in place it is not envisaged that this is an issue. 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. There was a discussion about HCUC's gender pay gap report. **Equality Pay Gap report** AdL confirmed that this is not a statutory report but an area that the College wanted data on. The data shows that there is now pay gap amongst BAME staff.	AdL
8		**Subcontracting** JJ noted that the report covers this academic year and projects to next academic year. GLA is the largest AEB and the ESFA AEB is very small. Next year there is the new 25% cap on subcontracting. It is generally believed that the GLA will follow suit. The College will plan the cap across all delivery. The College has two subcontractors – Adult Training Network Ltd (ATN) and Lifelong Learning Centre Ltd (LLLC) who are trusted and have been used for a number of years. They have strong outcomes. There was an initial assumption of £200k for this year based on a strategy agreed by the Board a couple of years ago to reduce subcontracting. It landed at £1m this year with £150k rollover from last year. For 2022-23 there is £1.36m from the GLA and the College looking to subcontract £341k. This will be £99k to each subcontractor in the first instance and with an extension to one provider depending on a number of factors but mainly to do with performance. The College will plan around internal delivery of the remaining 75%. The aim is to increase	

		ESOL and Functional Skills and other curriculum offerings which are being worked up and these will go through CQS and be monitored. The Chair noted JJ's reporting that the ATN can dial up and down depending on the money available and can dial up further if the College is under recruiting internally so as to not lose its allocation. The Chair continued to support the policy to minimise subcontracting wherever possible. JJ agreed that is it about in year agility. It is a separate pot with multiplied funding, and it gives opportunities to do re skilling work with adults and within an AEB context there is a lot of delivery that can be tapped into through the year. It is about the team horizon scanning and being agile to move into opportunities as they present. [SK joins 18:00] SW asked if the College has had a subcontracting audit which is a requirement with over £100k of subcontracting delivery. IR confirmed an audit had been carried out and some recommendations are being taken forward. The main one is about taking legal advice on the College's position as the contracting authority and submitting this to the market periodically and this will be picked up. It was confirmed that there were no risks identified in either organisation. SW noted that HCUC had received an action point for plans for learners to go elsewhere to be documented. IR confirmed the College received this action point last year and would share the responses with SW. **RESOLVED: The Committee recommended to approve the Subcontracting and Supply Chain Policy and ssubcontracting of GLA AEB funding for 22/23 to the Colleges established sub-contractors for the following amounts:** • **Lifelong Learning Centre Ltd UKPRN 10024635 £99,000** • **Adult Training Network Ltd UKPRN 10000147 £99,000**	
9		**Risks relating to Finance and Resources** and verbal update on the impacts of industrial action AdL noted that the industrial action and impacts on staffing/students is not yet included on the risk register and updated the Committee verbally. The ability to maintain good working relationships now has an increased level of risk. All other risks are well established, and the Audit and Risk Committee looked at in detail last week.	
10		**Policies:** IR provided an update on policies and confirmed that there were no material changes to report, and the policies are known to operate well. For the Treasury management policy there is the change of bank from Lloyds to Barclays and there is a plan for the year which has already been discussed as part of the budget. In the Anti Money Laundering policy some of the legislation has been moved on and a housekeeping exercise has been done to ensure it is up to date. The College did not have a Modern Slavery statement and IR has drafted this with support from other FE provider examples. RS asked if the policies are drafted based on an industry standard or the College's view of what is appropriate. IR noted that there is no industry standard but there is a consistency and sharing between colleges. The financial regulations were based on a sector model several years ago which colleges have adapted. IR gave assurance that the policies are standard provisions. The Committee asked if the policies have been compared to HCUC's versions to ensure the colleges are on the same page and IR and SW noted that this will be part of the process when merged and going forward. The Chair noted that this will be a useful exercise to reflect expectations. **RESOLVED: The Committee approved the Treasury Management Policy**	

		RESOLVED: The Committee approved the Anti Money Laundering Policy **RESOLVED: The Committee noted the Modern Slavery statement**	
11		**Cycle of business for 2022-23** SC reported that the cycle is based on this year's cycle. If there is any further delay to the 31 October 2022 merger date it will be populated for the year. The cycle includes all the statutory approvals that the Committee is required to make. **RESOLVED: The Committee recommended to approve the FRC cycle of business for 2022-23**	
12		**ESFA case conference updates** JJ reported that the next case conference is on Thursday. The College has had its Annual Strategic Conversation and Part Two conversation since the last FRC meeting.	
13		**RuTC Trading Services Ltd update** The Committee considered a paper in which the directors recommend winding up RuTC Trading Services Ltd. The Committee noted their disappointment as the company is important in terms of entrepreneurism on the part of the College. There had been good reasons to set it up initially and it was a surprise to see this recommendation. The Committee asked for the reasoning. IR explained that financial performance has been poor and is not improving despite now being on a fully running campus. The reasons it worked previously were around the arrangement of the old campus and a more thriving hospitality and catering team. There was a hefty loss last year. HCUC are contracting out to an external provider and the directors feel this is the time to cut losses and put the College on a similar footing. SK noted that the reason for poor performance over the last two years is obvious. The College could now be off and running with all its initial grand plans. SK questioned is now the right time to cut losses. RS noted that when it was first set up the business plan was heavily focused on ISG footfall and the completion of the build. Does this mean that the model is less sustainable or will there be a bounce back? IR confirmed that there was no business selling to ISG, so this part of the model was not a success. RS asked if the company had purchased a food truck. IR confirmed that it did and as it is not being used the aim was to sell it. The Chair asked if HCUC has any entrepreneurial mixed motive investments. SW confirmed that they don't. The Chair noted that it is the wider context of the economic challenges faced and it does take up management time and political capital. The Chair asked if there are any subcontracting issues. AdL confirmed that there is a small catering team, and the aim would be to TUPE them back into the new catering company. The Chair asked if there will be morale issues for the catering team and will it cause any quality or delivery issues. IR noted that it will be a surprise to the team. It was noted that JJ is a director but not the operational lead for TS. The Committee asked if this is an urgent decision to ensure it is clean ahead of the merger or just a timing matter due to poor performance. IR noted it is the former, there has been a reported loss throughout this academic year. It is also about starting afresh with a view to moving over to Aramark. IR confirmed that it is an urgent matter. The Chair noted that hospitality across London has suffered during the pandemic and at Imperial College the trading company is being kept because there is a belief in the return of it and its capacity to give working capital. The Committee agreed that if it is a critical cash item and will improve bottom line performance and merger potential they would be willing to accept this recommendation, but that this was with regret. SW noted that if the costs can improve in other ways HCUC will support it. SK asked if there is there any opportunity to mothball and pick it up later. The Chair agreed that there would be time and potential hassle needed to TUPE staff and there is an element in certainty in undertaking that activity. The Chair asked how long the	

		new contract is for and is there the ability to engage in a new model in 18 months' time. Clarion are building housing and there will be opportunities to bring the community into the College. SK agreed that the directors should be making a long-term decision and if this is a temporary hurdle it could be addressed. AdL explained that the College want the community to come in and use The View restaurant. In terms of staffing TS has four part time members of staff for catering for the students. JJ noted that student dining habits have changed, there is a lack of space in the new building for student social space and lots of students are travelling to Twickenham. The Committee noted that this a bigger issue that has to be resolved. RS reluctantly agreed that the Committee have to accept the management decision on the operation of TS. The Committee asked that the directors give thought to whether this is an interim position or the end of the journey for TS. **RESOLVED: The Committee recommended to approve to the Board the winding up of RuTC Trading Services Ltd subject to a final consideration by the directors on the suitability of this recommendation for the long term future of the College**	JJ/SFW
14		**Any other business** The Chair asked about the status of the handover with IR and SW to give the Committee assurance that it is going appropriately well. IR confirmed that work is already ongoing as part of the merger and working through the management accounts and the budget and there are more handover meetings scheduled for next week. The Chair felt that the decision for SW to take on the role was sensible and innovative but there is a nervousness about managing conflicts and asked SW how he plans to manage this. SW noted that it will be about the quality of the information. IR has been providing high level information for some time, but the devil is in the detail. With the support of JJ and the SLT SW noted that he is not uncomfortable walking into this territory and is hoping to do a good job. The Chair passed on the Committee's significant thanks to IR for his phlegmatic approach, clarity and assurance which has been very helpful. The Chair noted that he was hugely grateful for IR's leadership and professionalism on the finances and data.	
15		**Meetings for 2022-23 –** 11 October 2022, 22 November 2022	

Meeting closed: 19.05