

Finance and Resources Committee
Monday 28 November 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	The Chair welcomed colleagues. There were no apologies received.	
2	Declarations of interest There were no declarations received.	
3	The minutes from the meeting held on 11 October 2022 were agreed as a true and accurate record.	
4	Actions and matters arising Action 1 - benchmarking on staff turnover in the sector to come to the Committee as part of the HR update when available – as this is the last meeting actions relevant outstanding will transfer over as part of the governance handover. Action 2 – it was agreed that this needs to be a Board level comprehensive discussion with all the available options detailed clearly by the SLT. The rationale behaviour is to move into insolvency so there needs to be a clear business case on the alternative option. It was agreed that this is conditional on the decision from HCUC. SW reported that he had two options available in the event that the College is required to stand alone.	
5	HR update including review against HR KPIs for 2022-23 AdL reported on the HR KPIs to the middle of November. There has not been any formal staff satisfaction surveys undertaken this year to date and it is too early for turnover stats. Anecdotally Covid is spiking and the College is encouraging staff to have booster vaccinations. The College has offered free staff flu vaccination vouchers. 25 staff have taken this up to date.	
6	Finance update <ul style="list-style-type: none"> • The College and RuTC Trading Services Ltd year end audited accounts 2021-22 including financial statements and regularity auditor's management letter are deferred to 8 December 2022. SW tabled an updated financial picture for RuTC (see appendix 1) and reported on the emerging themes since the budget was approved: <ul style="list-style-type: none"> • Decline in 16-18 recruitment over the last three years. A decline of 210 learners for 2022-23 at RuTC with an impact of £1.2m. Recruitment has been affected by Covid, inflated grades at schools, students staying at school or going into employment because of cost pressure • Increase in energy prices of £1m. This has been 466% at Uxbridge. It has been assumed as a 100% increase for RuTC who is out of contract with gas and has a contract with electricity until May 2023 • There has been an uplift in AEB allocation for Level 1 and 2 courses. This is standing still in real terms 	

Assumptions:

- No growth is assumed for mainstream funding
- 5% growth assumed in commercial, IOT & Apprenticeship and non-funded activities
- Employee costs include all pay increments and pay award of 1.5% in plan years
- Inflation for non-expenditure increase to 7% for the first plan year and assumed to be 3% thereafter
- Capital expenditure of £5.3m per annum is assumed in the plan years
- This assumes there is no management intervention going forward
- The College's Financial Health score remains inadequate

SW reported that savings can be realised by:

- the alignment of contracts, an energy usage reduction plan and change of behaviour and software introduced to shut down systems
- Use of the College during evenings and term breaks
- Government assistance in terms of energy cap
- Engagement with schools to bring students into the College
- There is a demographics increase of 16-18s in the catchment boroughs
- Looking at the curriculum offer to make it attractive to learners
- Class sizes and classroom allocation
- Full utilisation of the building and staff going forward

SW reported that the financial projections paper went to JSG and will go to HCUC's extraordinary board tomorrow.

The Group health score remains good. There are deficits of around £6m. If it can be brought down to £5m it would move the Financial Health score to Outstanding. In terms of HCUC EBITDA is 9% and this is diluted by RuTC down to 4.5%. RuTC has no cash days in hand but HCUC can take a knock in terms of RuTC coming on board. The aim is to get back to Outstanding and there are strong plans post-merger to action that as soon as possible. The Group is eligible for DfE curriculum and financial sustainability support. Discussions are underway with Matt Atkinson, ex DfE PMO lead and SW is working through the figures from the CFFR with MA. These will be the support areas to see what can be done at both colleges to drive optimization and the curriculum plan. The Group needs learners to walk through the door and have a marketing strategy that reaches out to learners. It is about a recovery programme and what does it look like and when can we achieve it.

The Chair asked about the policy to maintain the capacity to deliver at full scale versus cuts at the levels of savings necessary for staff and non-staff costs and how is that balanced with staff resource planning against expectation for a full operating scale.

SW reported that HCUC has a vacancy factor of £6m and can hold 70 posts until the Group recovers. This can't be done at RuTC and it is either cuts or growth strategies. It is a balanced approach and needs to be realistic. There has to be engagement from the Principals and curriculum and any cuts will not be at the expense of the learner and curriculum provision going forward.

The Chair asked about the process of appointing a Principal to the merged institution and if the College has been frank on the financial challenges faced and the efficiency challenge attached to it. AdL noted that the permanent Principal role is being interviewed on the 19 January which gives time to clarify the position and FEA are speaking to candidates.

The Chair noted that the FRC are being asked to make sure they understand the financial framework and environment the College is moving into and this has been made clear.

RS asked if we allowed to set a deficit budget. SW noted that the tradition at HCUC is to post a surplus but what is out of control is the energy costs. In the next year we would be allowed to post a deficit and with a £5m deficit the Group would be financially Outstanding.

The Chair asked if the Group would be investing reserves into operations and SW confirmed this was the case.

SW noted that he was surprised the College doesn't have a financial recovery plan as it has been posting £2m plus deficits for some time. That will be discussed with the PMO and Matt Atkinson to come up with a financial recovery plan as a standalone college.

RS asked can the RuTC Board approve a deficit budget without permission. SW noted that there will be a discussion with the DfE and PMO about posting a loss and a plan for recovery going forward.

The Chair noted that more will be known by the next meeting on the 8 December on the confidence around merger.

The Chair noted that communications will be the key thing. Following what is posted in the budget it becomes very challenging to support the cash flow and the budget. There will be questions of insolvency or further support. The scale of operations after deep cuts would not meet the College's mission and business. There is the building of STEM, the money received from Clarion to tide over operations and very serious conversations with the DfE and PMO and the potential for GLA liability. For now the College will continue to attach to the merger life raft.

- **Management accounts including review against Finance KPIs for 2022-23** – deferred to 8 December
- **Financial performance 2020/21-25/6 and DfE/PMO loan**

SW reported that it has been agreed that 16-18 provision is brought forward and the College received £1.6m on 18 November. Based on the monies received the College is now solvent until March 2023 when it moves into an overdraft facility. The College has applied for a £7.5m bridging loan which is awaiting for ministerial approval. A condition of the loan is that it is repayable in full upon merger and a request for a longer term loan is being proposed. The Chair asked if conversations have taken place with DfE on whether they would support this and SW confirmed that this has not been raised yet. The Chair noted that he could see the financial sense of this but there is a nervousness from RuTC that it does not delay clarity on the loan pre-merger as a result of the position post-merger. As a standalone this is the only thing that is keeping the College solvent. Currently there is £1m overdraft and this will be withdrawn on the first Clarion payment.

SW noted that he is working with the consultant to create a cash inflow. There is a cash outflow of £10m in the next 3 years.

- **Staff pay award**

SW reported that there have been some difficult conversations with the Unions. SW presented to the Unions explaining that the College cannot spend what it hasn't earned and can't afford. SW would like to back a pay award but as things stand at RuTC it is not affordable. The College has 210 learners lost and there are the considerations of inflation and energy cost rises. AdL explained that the staff are aware of shortfall in enrolments and increased costs and remain keen to see a pay award. AdL suggested that discussions need to take place with the context of how staff feel right now and considering morale at the College. RuTC staff know that HCUC have received a pay award despite a drop against their student allocation and rising energy prices and this is against a backdrop of a national pay claim of 10%. RuTC teachers were paid their holidays as part of the contract changes but support staff have been waiting for this merger for 18 months, with concerns about their roles under a merged structure and have not had any pay award. Governors need to be aware of the implication of this.

Staff know that the Local Authority, in particular AFC, have offered a pay award for a set amount of money and for those on lower incomes it is a significant payment increase. The other area of risk is that the minimum wage goes up annually and is eroding pay scales.

The Chair asked what is the issue of pay relativity and issues on merger with people with similar responsibilities. AdL was noted that there will be disparity and RuTC staff will have seen a

	<p>comparisons table of holiday and pay at HCUC. HCUC staff are better paid but receive less holiday. TUPE will apply and contracts at RuTC will remain the same until negotiations commence. The Chair asked about the timescale for a post-merger harmonization exercise. AdL noted that this did not take place following the merger at Harrow and Uxbridge and there remains a differentiation of contracts. Any new staff will be on HCUC contracts. AdL noted that the teaching contract is now not so far out of kilter following RuTC's consultation and move to new terms and conditions for teaching staff.</p> <p>SW noted that at the moment he is not bringing anything to the table and would consider a sum to go to support staff, for example those under £25k to receive a one off payment of £750 and those on £25-30k to receive £500.</p> <p>SW reported that he needs to hold the link that there is no money currently available for a pay award but when income growth emerges a pay award will be reviewed and backdated. This will be poorly received by staff but it is hard to see where any money would come from.</p> <p>JJ noted that despite being merged the three colleges will be financially standalone and this was not well received by UCU.</p> <p>SW noted that the merger is going to cost £11m. Management want to see the financial performance of each college separately.</p> <p>The Chair noted that this message is difficult to receive but relatively understandable. If the College were to remain standalone it would need to cut staff and pay rises would increase this.</p> <p>AdL noted that the teachers point is that HCUC have money so there should be a pay rise.</p> <p>JJ underscored the point about support staff. There is the perception of the balance on what teaching staff received and he expected some difficult observations from UNISON.</p> <p>ACTION: SW will explore the option of one off pay awards for support staff.</p>	SW
7	<p>Merger update</p> <p>Finance and HR work streams</p> <p>SW reported that the colleges will be working hard towards merger dependent on the decisions made at tomorrow's HCUC extraordinary Board.</p> <p>Finance systems are ready to receive RuTC's data.</p> <p>Payroll will have one parallel test run and pay data has been shared with HCUC.</p> <p>The interim head of finance has decided not to renew his contract and SW noted it will be a difficult month and he has gone out to advert for a Head of Finance at Group level and at RuTC as there needs to be a stable post holder in role to do the grassroots work.</p> <p>Pensions – the Directions Order has been agreed by the pension funds and is ready to go to the Secretary of State.</p> <p>SW has been working with the legal team around the novation of contracts.</p> <p>SW noted that the colleges are in a good place on merger progress.</p> <p>Merger risk register</p> <p>There are three key risks – the Clarion agreement not being finalised at the point of merger, increased costs of £6.3m and a delay in finalising the S106 because of the borough council.</p> <p>The Chair noted that these items have all been well trailed and are getting plenty of coverage.</p> <p>The Chair asked about the GLA grant funding. SW reported that that £1.5m is secure and the College had to reapply for funding and has submitted a bid for £5.4m out of a funding pool of £20m. A response is expected before Christmas and SW agreed to update at the meeting on the 8 December 2022. The Chair asked about escalation routes within GLA if required and SW noted that Keith Smith is leading on this.</p>	SW
8	<p>Risk register relating to Finance and Resources</p> <p>The Chair noted that given the extenuating set of circumstances at the College it is a post risk organisation and AdL agreed that the majority of risks are red. The four increased risk ratings are:</p> <ul style="list-style-type: none"> ● The future viability of RuTC ● 3.1 inability to secure growth in 16-19 funding, ● 3.3 Inability to secure growth in Apprenticeships 	

	<ul style="list-style-type: none"> 3.7 inability to plan effectively for redevelopment project with phase 2 exceeding budget. <p>The Chair asked if the register is cross shared with ARC and AdL confirmed that ARC receives the full risk register.</p> <p>RS noted risk 12 on payroll migration and AdL confirmed that this is less of a risk now because it is in train. RS asked if it is easy to compare outputs and SW confirmed that there are reports on net pay and national insurance which can be compared. The Chair asked about the industrial action and if this complicated the process and AdL confirmed this was completed during the summer period so would not have an impact on the current dummy runs. SW confirmed that the colleges can continue to pay in two separate systems if there are any issues and this is a manageable risk.</p> <p>RS asked around risk 8 around accidentally publishing exam results and asked why this is a specific risk on the register. AdL noted that this had been included by the Head of MIS because there were leadership management risks in the exams team. The gap is plugged now.</p> <p>JJ reported that because as a provider the College gets the exam results a day early and results are embargoed. Severe sanctions are applied around awarding powers if there are any early releases. RS noted that this seems a very specific risk to include.</p>	
8a	<p>Extension of long stop agreement between RuTC and Clarion</p> <p>The Chair noted that he had requested a note to the FRC from the Executive to confirm that signature of the letter was a commercially and legally safe thing to do.</p> <p>JJ reported that a further extension of the longstop date for the sale of the phase 2 land was being organised by the College and Clarion with a new date of end of March 2023 which is the date that Clarion need to be on site.</p> <p>The Executive have sought legal advice and taken the views of Fusion and it is confirmed that there is no legal or project management ramification of the extension and no requirement for a full DoV and sign and seal if both parties are content with the extension.</p> <p>The Committee confirmed they were content with the advice received and JJ will sign the letter of extension tomorrow.</p>	
9	<p>Senior post holder and governor expenses</p> <p>This is an annual item to the Committee to give assurance that Senior Post Holder and governor expenses are appropriate. It is reported to the Board through the FRC Committee.</p> <p>SW reported that there is a nil return for SPH and governor expenses and this will come through the self-assessment report for year end. The Chair asked if there are consultancy contracts who are paid for accommodation and travel and SW confirmed that there are but they are not included in the remit of this report.</p>	
10	<p>Policies</p> <p>The Committee noted that all Finance and Resources Committee policies are approved and up to date as follows:</p> <p>Financial Regulations Student Support Funds statement Policy for Tuition and Other Fees Business Continuity, Disaster Recovery and Emergency Plan Subcontracting/Supply and Chain Fees and Charging Policy Treasury Management Policy.</p> <p>RESOLVED: the Committee recommended to approve that the FRC terms of reference are carried over with no changes, with review in March 2023 if merger is not completed.</p>	SC
11	<p>RuTC Trading Services Ltd minutes – 11 November 2022</p> <p>Letter of support for RuTC TS</p> <p>SW reported that the letter of support will come forward to the joint FRC/ARC meeting on the 8 December 2022.</p>	SW
12	<p>Health, Safety and Welfare report</p>	

	AdL reported that the main focus for the Committee is security and access to and from the station for students and staff now the nights are drawing in. Quinns have agreed that that College can cut back greenery on the lane and they will clear the other side.	
13	Any other business SW reported that the auditors have been struggling with signing off the fixed assets, grant funding and loans. There is £366k not accounted for at the moment. It is a material figure and the College is currently getting to the bottom of it to ensure the balance sheet is correct. The Chair thanked SW for the update.	
14	Extraordinary joint FRC/ARC meeting on 8 December 2022, 17.30-19.00 to consider: <ol style="list-style-type: none"> 1. College Financial statements 2. RuTC Trading Services statements and letter of support 3. Management accounts Helen Haddock, Buzzacott, will attend this meeting and the Board on the 14 December to present the statements.	

Meeting closed: 18:35