CORPORATION BOARD of UNITED COLLEGES GROUP
Minutes of the Finance and General Purposes Committee
Wednesday 1 July 2020, 5.30 pm – by Zoom

Members Present: Tony Johnston (Chair), Nick Bell, Franklin Asante, Alex Fyfe, Lee Horsley.
In attendance: Zoë Lawrence, Amanda Thorneycroft, Claire Collins, Paul Bradley*

*relevant agenda item only

1	**Welcome and apologies for absence.** There were no apologies. 100% attendance.	
2	**Declarations of Interest in the agenda items** No declarations of interest were made.	
3	**Minutes of meeting held on 25 March 2020** The minutes of the Committee held on 18 May 2020 were approved as an accurate record and would be signed by the Chair. **Matters Arising** As a result of the coronavirus pandemic the college was developing an online enrolment process and was reviewing the marketing approach to respond to lock down and social distancing. Though these aspects were largely operational, they impacted on income at a strategic level. The Committee also has a responsibility to ensure VFM. These issues were discussed at the previous meeting and as this was the last meeting before enrolment would take place an update was sought on progress and issues. NB explained that for enrolment there were essentially three categories of students; progressors, those who had pre-applied, and walk-ins – those students who would self-present on the day to enrol. An issue had arisen in being able to assess fees via an online enrolment process, but there was still the potential that this may not be needed if the adult courses were to be fully funded. A government decision was still outstanding on this point. Marketing was being taken forward in-house with additional external support for social media. Virtual open days were being arranged. Differentiated mechanisms were being used but there was a focus on direct marketing within local communities given issues with travel across London due to coronavirus and social distancing. PB explained that enrolment would be via a web-based portal which provided an enrolment form and the facility to upload evidence documents. This was closely linked with the curriculum review process. Fee assessment was being covered by the use of a Pro-solution desktop facility, which may need follow up over the telephone. Further work was planned for the coming weeks with a mock-up and prototype expected the following week, after which training with the relevant staff would take place. It was expected that some temporary staff would be needed pending the level of automation. Consideration was being given to whether actual documents were evidenced after enrolment once the student starts attending college. It was likely that there would be additional work following the enrolment process to 'clean up'. Processes were still to be resolved where a written	

	entrance exam was needed. PB provided assurance that the processes were GDPR compliant. TJ asked when the portal would be live. PB expected the prototype to be ready w/c 5 July and would be ready for testing and training during the last week in July. TJ asked about the expected levels of walk-ins and the degree to which the college relied on this cohort? Exact figures were uncertain, but it was recognised that the conversion rate from pre-applications was relatively low, and the dependence on walk-ins, potential students with no prior contact with the college, was quite high. TJ asked how the marketing campaign would work alongside online enrolment and point potential students to the process. PB agreed that the marketing element was important. CC explained that Adrian Quester was leading a working group covering this interface. There had previously been some issues with the marketing approach, but it was now considered to be in a better place. External support was being provided for social media. AF said that she saw the online enrolment as a positive opportunity and was pleased to see the transition. She supported the view that it was likely that more enrolments would be from local areas given the issues with travelling. During that day the possibility of a local lockdown in Brent had been mooted. This may impact on enrolment and would need to be considered as a risk. Members thanked officials for the helpful update.	
4	**Human Resources** **i. HR/ Organisational Development** *(Paper circulated in advance)* CC provided an update on HR activities and the work programme since her appointment in January. This began with a restructuring of the HR team, including an interim appointment to review and consolidate HR policies across the Group. HR systems had been reviewed and improved and a business partnering model adopted. An HR/OD Strategy was expected to be developed for review by this committee from September 2020. Actions from the Workforce Audit conducted last year had now been implemented and safer recruitment processes were now on track. Casework had recently become a focus which were now being risk assessed. Two tribunals were due. Work had been completed in agreeing the staff establishment in line with finance and curriculum planning. Contracts were nearly finalised, with good relationships with unions being developed. Once the policies and procedures had been reviewed there would be a piece of work to support implementation, giving staff the confidence to manage absence, conduct and competence for example. This training was likely to be provided by the HR team. Work on staff engagement had continued during lockdown and this would progress to developing alignment of values and culture with behaviours. Staff had fed back through short surveys conducted during lock down that the increased level of communication from SLT and more broadly had been welcomed. TJ asked for more information on the culture piece as this had wider implications for the strategic plan. He noted that from his attendance at a SLWG meeting that some	

staff still felt a sense of loss and a lack of identity following the merger. CC empathised with this and explained that it needed to be addressed by creating a new sense of identity by capturing the good things from both legacy organisations. She acknowledged the change and that it was important for senior leaders to be visible and build relationships. The work on values will tease out desired behaviours and how staff want to be treated.

NB thanked CC for the huge amount of work and significant improvements that had been made in a short amount of time. He considered that it was difficult for organisations of this size to achieve a single culture though it was important for the sub-cultures to be aligned to the values. Evidencing the merger on the ground, getting teams to work across the group, was also key to generating a positive culture.

LH welcomed the use of the short staff surveys but expressed concern about the low response rate. CC said that this may take some time to resolve as it was necessary for staff to see a demonstrable response and build confidence in the engagement process. Incentives to encourage staff to respond to surveys were also being considered.

Members received the report and welcomed the prospect of the HR/OD Strategy in the Autumn term.

5 FINANCE

i. Budget 2020/21

(Paper and relevant spreadsheets circulated in advance)

AT explained that due to the ESFA's introduction of the IFMC the process of submitting the budget to the ESFA this Summer was slightly different to previous years. A 12-month cash flow and narrative had been requested to be signed off by the accounting officer in July, and for that to be consistent with the budget that was approved by the Corporation.

The budget presented, which was not final, had been based on reports from budget holders and the curriculum plan. There were still some adjustments to be made which would be set out in a separate sheet for Corporation the following week. These adjustments would not change the overall outcome of an expected surplus of £100k. The expected surplus of £100k was intended to be cautious given the levels of uncertainty because of coronavirus

The Capex budget still required further work. It was currently too high and needed to be brought down to £3.1m to prevent cash reserves from being used. This level would include the funding of devices for students for which an additional £1m was required. Devices would be loaned to students based on need only. It was expected that it would be possible to purchase 3000 devices, but at the moment it was unknown how many would be required.

AT spoke to her paper and highlighted the key increases and decreases against the previous year.

AF commented that the budget had been prepared against the reforecast done in response to coronavirus which was not typical, so it was difficult to judge the movements in the figures. She had asked that the pre-coronavirus reforecast figures

		from January by provided as a comparator. This information was available and would be provided to the committee. AF commented that she could not see the costs in relation to the Cockpit Theatre so it was not clear if it was breaking even and sought the rationale for the income from lettings. AT explained that the theatre costs were mainly staff costs and that there would be a loss. The income from lettings was an estimate assuming that it would take some time for normal levels to resume post-lockdown. The Summer School was currently in doubt, but filming enquiries were starting to be received. £88k had been secured which would minimise risk. Blended learning with fewer students in the buildings was likely to incur a cost on catering. TJ commented that there was little prospect of the Cockpit Theatre re-opening in the near future, and that it would be timely to consider this for the longer term. This would be taken forward through the property strategy which was coming to the Corporation the following week. It was agreed that a detailed report on the costs associated with Cockpit would be brought to the first F & GP meeting in the autumn. The pay expenditure in the budget had been built up from the establishment and included the investments into payroll for new assistant principal and middle management posts. A 1% pay increase had currently been factored in for all staff except SPHs. AT highlighted that the government funding to support the increased pension contributions was to come to an end and this adjustment had been included. Members considered the separate paper on the 1% pay award and challenged the justification for it in the current economic climate. NB considered that it was reasonable to be able to recruit and retain staff and remain competitive with other London college groups. The 1% represented the AoC's recommended increase from November 2019 which would not be back dated. AF queried this and clarification was provided. LH said that the timing of the additional £250k pay cost was unfortunate and whether a compromise could be considered. NB thought that the fact that this was not backdated was a compromise. The 1% increase would be positive for staff morale and would ward off any potential industrial action if AoC recommendations were taken forward. TJ commented that as a considerable investment had been made into the middle management tier this year whether the pay award could be limited to those below a certain salary level. This was generally welcomed as a good idea that would get support from staff and help with respect to pay ratios. This proposal would be developed for the Corporation meeting the following week. AF asked if a breakdown of information on staff pay could be provided to show the overall increase in gross pay, the increase in headcount, and the amount paid in increments. She was also interested to know the headcount and type of role of those staff paid under IR35 arrangements. The issue of equal pay for some support staff at CNWL was raised and FA asked if the associated costs had been included in the budget. NB said that it was the intention to assimilate the teams which may result in cost savings so any costs could be absorbed. Members welcomed the budget report but were of the view that there were too many loose ends at this point to be able to make a recommendation to the Corporation. It was agreed that the outstanding information would be provided to Corporation and the discussion would be resumed at that meeting.	

	ii. Banking Covenants *(Paper provided in advance)* Due to the reforecast loss expected this current year as a result of the coronavirus lockdown and social distancing measures it was reported that this would mean that the banking covenants were to be breached. The banking covenants are tested against the audited accounts so would be reset at the time of the accounts being issued in the Autumn term and the levels of student enrolments were known. AT has flagged the issue with Barclays and they proposed that the covenants be reset at the outturn level. There was currently no action for the Corporation at this point. The legal costs to reset the covenants would be met by the college. Members noted the paper and the requirements for approvals in the Autumn term. **iii. Management Accounts (May)** *(Dashboard and commentary provided in advance)* The management accounts for May were largely in line with the reforecast. There was some slight optimism that the year may conclude in a slightly better position than the reforecast. Members noted the management accounts. **iv. Fees and Charges Policy** *(Draft policy provided in advance)* Members reviewed the policy and were content to recommend it to the Corporation for approval. **v. ESFA Letter** *(ESFA Letter on UCG Financial Statements provided in advance)* This was provided for information only. The committee noted the letter.	
7	**AOB** **I. Paddington Refit Project** *(Paper provided in advance)* AT introduced this item which concerned a contract approval for the refitting of lighting at the Paddington Green Campus which would achieve significant energy efficiencies. It was anticipated that the work being proposed would form a key aspect of any forthcoming environmental strategy and that the replacement of the lights in the building would need to be done at some point in the near future in any case. The project provided guaranteed savings over 5 years which would mean that the project would be cost neutral. An interest free loan from Salix could be applied for to cover the costs, though given the cash position of the college it was possible to proceed without the loan. It was being proposed that these works, which would take approximately two months, would be taken forward over the summer when the building would have reduced occupancy. It was anticipated that the loan would be drawn down (if applied for) against the invoices received which would not be until the next financial year – after 31 July 2020. This would mean that the loan arrangements would not affect the banking covenants until the following year. Despite this Barclays were being consulted about the financial arrangements. AT explained that there were various timing options pending the views of the committee. If the committee were to be able to recommend the project to the Corporation for approval at the meeting the following week, a loan application could be made straight away and it may be possible that this be confirmed prior to the Corporation meeting. Alternatively, the loan could be applied for after Corporation, or the project postponed	

until the loan application had been approved. It was also possible for the work to proceed and for the college to incur the expenditure before the loan was in place. Though it would be of benefit for the work to progress over the summer, it could be done whilst the building was open to students, but this would be more complex.

LH queried the loan debt coverage ratio, that this would increase and breach banking covenants. AT said that this was correct but was of the view that this risk was covered as it would not affect the covenants for the current year, and it was not possible for draw down on the loan to be taken without Barclays' agreement in any case, which was being sought. To date this had not been an issue in discussions, but it was currently uncertain whether this would need the agreement of their credit committee. LH asked whether the fee indicated in the region of £850k was fixed and were there measures to prevent any costs increasing during implementation. AT confirmed that the price was fixed and would not change.

TJ asked what would happen if Westminster went into a second wave lockdown halfway through implementation. AT said that it would possibly result in an extension to the time needed, but with social distancing it may be possible to continue works during lockdown.

AF made the point that the building was not very old, and that some lights had been replaced already. She challenged the level of cost savings in particular that the maintenance costs may not necessarily go down, and that it was important to fully research and understand the long-term practical issues now, prior to the works taking place.

AF also noted that the financial reporting would need to be modelled differently to take account of the depreciation and utility costs changes.

FA sought that an update from Barclays on the agreement for the additional loan be provided, and whether this was possible before the Corporation meeting. AT thought that this was unlikely to be received in time.

Based on the potential benefits of the scheme and the opportunity of the interest free loan, and the building being more vacant over the Summer the Committee were minded to recommend this project to the Corporation for approval, pending the responses to the questions posed on the loan and further research.

II. Wembley & Willesden Project

NB reminded members of the letter that was sent to Quintain in May 2020 seeking assurance that the project would be considered by their investment committee by 31 October 2020, and that legal works would restart in the intervening period to ensure the project met programme requirements. Quintain had previously responded positively to the first of these but sought an extension to 30 June on confirmation of the legal works resuming. A communication had since been received which confirm the restart of the legalities with immediate effect, but on the proviso that Quintain would be renegotiating the price of the Network Homes site. Quintain also sought that consideration be given to alternative decant options to be able to start developing the Crescent House site at the same time as work on the Willesden site. This would mean that following the land swap Crescent House would not be leased back to the College for use.

	AF expressed some concern that this may be preparing the way for an opt out for Quintain, and was cautious of the proposals. LH said that he understood her concerns but was more confident that this was a reasonable approach in the circumstances. TJ sought clarification on the legal costs that would be put at risk between now and October and asked that this information be prepared for Corporation, so members understood the financial implications.	
8	**Date of next meeting** **September 2020** Meeting closed at 8.12pm	

Minutes taken by Zoë Lawrence 02/07/2020

SIGNED: ………………………………………….. Date:

Tony Johnston, Chair

Ref	Action	Owner	Status
5i 18/05	To conduct a review of tuition fee assessment and credit control to reduce the loss of non-payment of fees	NB/AT	
7i 18/05	Fully costed IT Strategy paper to be provided to the F&GP Committee for the Autumn Term meeting 2020	NB/PB	
3iii	Provide the conversion rate of pre-applications to enrolment and the proportion of students who enrol as walk-ins.	CC/AQ	
5i	For a detailed report on the costs associated with Cockpit would be brought to the first F & GP meeting in the autumn.	NB/AT	
5i(a)	To provide a revised staff pay paper to set a lower level (below AP / curriculum lead posts) for the 1% pay increase.	NB	
5i	To provide a breakdown of information on staff pay to show the overall increase in gross pay, the increase in headcount, and the amount paid in increments. The headcount/ type of role for the staff being paid under IR35 for the 2020/21 budget.	AT	
7i	To provide information/ research into the longer-term maintenance costs and any practical issues associated with the refit project	AT	
7ii	Cost of the proposed legal works on the Wembley & Willesden Project that are likely to be incurred (at risk) between now and the end of October.	NB	