CORPORATION BOARD of UNITED COLLEGES GROUP
Minutes of the Finance and Resources Committee
Wednesday 28 June 2023, 6 pm – by Zoom

Members Present: Franklin Asante (Chair), Stephen Davis, Tony Johnston, Ross Mackenzie, Laura Griffin, Alastair Procter and Alex Fife.
In attendance: Zoë Lawrence, Amanda Thorneycroft, Claire Collins.

1	**Welcome and apologies for absence.** Apologies had been received from Nadia Babar.
2	**Declarations of Interest in the agenda items** No declarations of interest were made.
3	**Minutes of meeting held on 20 March 2023** The minutes were approved as an accurate record. **Matters Arising** Matters arising were included on the agenda.
4	**HR - PEOPLE CULTURE AND GROWTH** *(Papers circulated in advance)* **I. Equal Pay Report (Ethnicity)** This report had been prepared at the request of the committee following receipt of the gender pay gap report. One of the challenges with completing this analysis had been the differing number and type of job roles in support areas which were not on a specific pay scale which made comparisons more difficult. For teaching staff the pay scales could be used. The sample for analysis was taken on 31 March 2023 and showed an ethnicity pay gap of 11%. Compared to other organisations which published this information UCG was mid-range. CC suggested that UCG committed to completing this analysis annually like the gender pay reporting and for it to be published to demonstrate our commitment to tackling this issue. She also said that work would be completed to organise job roles into families to be better able to make comparisons. The Committee supported this good piece of work and thought that it contributed to making UCG an employer of choice. AF asked about the assumption regarding ethnically diverse managers recently appointed being at the bottom of the pay scales and asked that this be checked. AP was supportive of the job families and suggested a pay equity analysis be undertaken for the following year. CC said that she was hoping to improve job evaluation and for this to be standardised. TJ said that if this report is published it would be important to include the context of London and comparisons with other organisations. **II. HR Workforce Composition Report** CC acknowledged that this report of workforce composition was from the previous academic year and was therefore quite late and less relevant. It was agreed that it would be returned to the Autumn term and the next report for 2022/23 would be received by the Committee at its October meeting. She commented that the higher sickness rate, despite the pandemic, was expected due to the focus on improving reporting. She also thought that the age grading of the workforce was becoming more balanced. Declarations for disabilities was still of concern. FA asked what more could be done to encourage disclosure of disabilities. CC said

	that it was likely to relate to unseen disabilities such as mental health, and a campaign could be initiated with additional work with managers. RM asked how the sickness levels compared with benchmarks in the sector as it appeared to be many days lost. CC said that it was in line with the AoC benchmark, though she still thought there was an issue of under reporting. Sickness levels were an issue in education generally. CC thought that it may be possible to get individuals back to work quicker. LG commented on the proportion of male to female sick days though there were fewer men overall and whether it would be worthwhile looking into this. SD asked about the benefits of doing this? There was agreement that it was potentially worthwhile in case there was any actions that could be taken to make improvements. AF commented that turnover figures were higher than the previous year. CC said that this was being tracked and exit interviews were being completed. There were instances of staff being poached from other colleges, and some retirements, but she thought it was at a comparable level within the sector. It was agreed that trend data on this would be provided for the next report in October. AP suggested a breakdown of voluntary and non-voluntary redundancies and the average tenure and reason for leaving be included. TJ commented on the age profiling and that there was a significant proportion of teaching staff that were due to retire within the next 10 years. CC said that efforts were being made to attract older people from industry into teaching. One unintended consequence of this was that this tended to attract white men which was not a profile that related to learners. Members welcomed and noted the report. **III. Update on recruitment and pay** CC provided this report which was in response to the governor strategy event in January. It was acknowledged that recruitment was a difficulty across FE generally. CC set out the main points of her paper and the work being done to attract candidates to posts through a microsite and other activities. To date only two roles had not received applications and interviews were due to take place in July. FA welcomed the paper and the fresh interesting ideas on recruitment. AF commented on a recent DfE television advertisement for recruitment to FE and asked if UCG was linked to this scheme. CC confirmed this. RM asked if any of the structural changes proposed at the away day had been taken forward, for example a university structure of senior lecturers teaching to larger groups. SD said that this had not yet been taken forward though an advanced practitioner group had been established. Members noted the report. **IV. People Culture and Growth, Balance Score Card** CC reported that most of the targets were expected to be met at this stage. The staff survey was due to be launched and would be reported at the next meeting. Most of these had been covered elsewhere on the agenda. **V. People Culture and Growth Risk Register** CC reported that the main risk continued to be recruitment of qualified staff and that the detail of mitigating actions was covered in the earlier paper. The Committee asked that CC reported back to the Committee on the success of the recent campaign at the next meeting. TJ noted that the action to provide more risks and more detailed descriptions of mitigating actions had not been completed. He particularly asked that this be done for staff engagement for the next meeting.
5	**FINANCE – ROBUST FINANCIAL HEALTH** *(Papers and policies circulated in advance)* **i. UCG Budget 2023/24**

		AT explained the process taken to prepare the budget, which included a bottom-up approach to confirm teaching hours, remission, vacant posts, overheads etc. from all departments. This was then refined by the SLT and appropriate costs savings were made. She highlighted the overall loss in income due to a fall in student numbers and in other areas of the budget. RM asked how inflation was taken into account in preparing the budget, as this was expected to continue at an elevated rate between 4-7%. He also noted the reduction in IT investments and queried if this was the right option. He challenged if income was not keeping pace with costs, it may be beneficial to run a deficit budget in the short term. This would also be a message for the DfE on funding for FE. AT commented that running a deficit budget had its upsides and downsides. To date it had been important to provide assurance for stakeholders in the Wembley Park Project that the college was run efficiently and that there was financial confidence, though she also recognised his point. She also explained that inflation had never been modelled into the budget and had always been absorbed through savings. AF noted that the higher levels of inflation were relatively new though the steady reduction in income had been going on for many years. She asked if the impact was the reduction in students or the reduction in allocation per capita. She also noted that the total pay cost was significantly lower than the previous year despite the pay rise, and whether this was due to less provision. AT explained that this was due to fewer students and fewer study programmes, but also support posts and vacancies had been taken out. 12000 hours had been removed. The GLA procured contract had also come to an end which provided £2m p/a for four years. This was being compensated by delivery of our own previously subcontracted provision. There was a small growth in adult funding. A further increase in borough income was not expected, and tuition fees had been reduced. The staff pay increases were also absorbed into the budget. It was not possible to increase rates to pay for this. SD presented his paper on budget options where he made his case to consider a deficit budget based on the depreciation charge and debt which were not directly connected to core business, and would not affect cash. He set out the external context following the reclassification of colleges, and the detrimental opportunity costs associated with achieving a balanced budget. These included the under investment in systems integration, staffing levels to deliver a good student experience and compliance. He suggested excluding the servicing of depreciation to make investments for one year and also the risks of not doing so. Consideration was also given to the cash position, with the potential delays to the Wembley Project achieving acceptable planning consent, and how this could impact. AF disagreed that it was wholly down to depreciation on the buildings that was causing this issue as there had been a grant to offset it. However, she was willing to consider a deficit for specific things. She also noted that the new campus at Wembley would create an ongoing issue on depreciation which would be significant. SD acknowledged AF's point and clarified that the college was servicing £6.1m in depreciation across the sites and that the business was being downsized for this reason to achieve a balance budget. AF suggested that there be a broader discussion about longer term income, and whether there were benefits from being reclassified as public sector. SD commented that some commercial activity was viewed by the DfE as novel, contentious or repercussive and therefore required DfE permission. AF asked for clarity on how the money not used for depreciation would be invested if this option were pursued. She reminded the committee that the proceeds of the sale of the Queen's Park building which had been used

to purchase the OOC, and would be recovered at the end of the project were always intended for student benefit.

RM commented that if a decision was taken to balance the budget at all costs it would perpetuate the quality issues and limit improvements in student experience, contradicting the strategic plan previously approved by the Corporation. He had some sympathy with SD's proposal, and suggested areas where the investment could be targeted. He also asked about any carried forward surpluses and the role of the Audit Committee in considering these decisions. He suggested that depreciation only be serviced where things have truly depreciated and for depreciation to be reviewed where there may have been an increase in value over time.

AT said that prior to the merger CWC's budget broke even which was typical of other FE colleges and not-for-profit organisations. CNWL had been loss making for a few years so there had been no brought forward surpluses. The business had always been cash generative however, though the timing of the sale of the sites at Wembley and Willesden would now be key.

TJ asked what intelligence there may be across the sector on this issue, and how other colleges were approaching it. SD said that the trigger for considering a deficit budget was part of the Strategic Conversation with the ESFA. He also highlighted that £900k from the sale of the right to light was also included in the 23/24 budget which would be a one off. TJ asked if it was sensible to continue with the decant plans and expenditure at this point to manage cash flow. SD said that it may be an option to pause decant, but that would need to be considered in more detail. It was too soon to know at this point (the meeting with the developers had only been on the day before the committee meeting). SD set out the items that were no longer affordable with a balanced budget.

RM concluded that the committee couldn't in full consciousness recommend a balanced budget to the Corporation that would have a detrimental outcome for quality and student experience. It was important for the Corporation to agree a budget that would deliver the strategy. It was agreed that a further paper for Corporation would be prepared that would set out where the investment would be made from the budget deficit to deliver on student outcomes. This could be shared with this committee in advance for any comments. This approach was endorsed by TJ and AF. AP asked how confident SD was that the investment would deliver the student outcomes in the timescales. SD said that this was all part of the college operation plan which had already been agreed the Corporation. He was keen to ensure a transparent approach throughout.

ii. Management Accounts (April 2023)

AT said that the April management accounts were as expected against reforecast. Payroll was in a slightly better position and there was continuing to be a pull back on agency costs and closing out of HPL contracts approaching the summer months to save money. Members noted the management accounts.

iii. Banking Covenants

AT reported that Barclays RCF was being replaced by a long-term loan from the DfE. The forecasts assume the drawdown of the full Barclays £8.35m RCF at the end of June 2023 and the repayment of this back to Barclays in full in July 2023 when the DfE loan would be pulled down. The result of this would be that the College has a significant increase in both cash and loans as at 31 July 2023. The impact of this would be that the College was now anticipating it

	would breach the Financial Covenant which measures the ratio of borrowings to adjusted operating surplus. Barclays were aware of the anticipated breach and the reasons why it was arising. Negotiations to waive or re-set the covenant for 31 July 2023 were ongoing and further advice was being sought for Corporation approval. Members noted the update. **iv. DfE Loan Agreement** AT set out the position regarding the expiry of the RCF with Barclays and this being replaced by a term loan facility with the DfE. The key terms of the loan were set out in her paper, with the considerations for the Committee and Corporation. She highlighted the security on the buildings until the point of sale, and repayment. FA asked what the interest rate would be. AT said that this was variable, and would be set by the Public Works Loan Board at the point that the loan started. **The Committee resolved to recommend the loan terms to the Corporation for approval.** **v. Subcontracting and procurement policy** The Fees and Charges policy was the same as the previous year, though the subcontracting procurement policy was new in response to new DfE subcontracting requirements. AT commented that a subcontracting audit had recently been undertaken by the internal auditors, which was more extensive than prior years. She was expecting a number of recommendations from the audit. The certificate from the audit would inform the external audit process. The level of subcontracting was due to be reduced in 2023/24 with delivery being provided by UCG. AP asked if there was a separate policy on evaluation of services. AT said there was not, but this was covered by other internal mechanisms. **The Committee resolved to recommend the policies to the Corporation for approval.** **vi. Finance Balance Score Card** AT explained that currently the overall rating was amber ahead of year end. The EBITDA was ok, the enrolment numbers had not been met, income per FTE was dependent on the treatment of income in the financial statements, banking covenants were going to be breached, but remedial action was in hand, staff cost to turnover was ok, the current ratio was amber based on the reforecast, cash in hand days and financial health were also good. AF said that it did not make sense to include the income from the sale of the right to light in the income per FTE calculation. SD suggested that only teaching staff costs be used (excluding support staff) to show an efficiency measure. It was noted that the payroll ratio was 5% better than the sector benchmark. **vii. Finance Risk register** AT presented the financial risk register. There were no changes to the scoring or new risks but the relevant risks had been updated. There were no risks above tolerance as they were all well managed (so none were on the strategic risk register). Members noted the risk register. **viii. Contract Approvals** AT presented two papers for contract approvals. The first of these related to a £400k invoice from MHR for the iTrent software used by HR for the next three years. It was noted that iTrent was used extensively by the FE sector and was an externally hosted HR package. The second related to the payment of invoices to Salix for completed works to install heat pumps and solar panels to the Paddington building. The funding of this work had been largely covered by a grant with an element of match funding. AT proposed that the match funding be met from another grant. AF challenged whether this was allowed. AT agreed to check.

	The Committee resolved to recommend the payment of these invoices to the Corporation for approval in line with the Standing Financial Instructions.
6	**AoB** No items were raised.
7	**Date of next meeting** **04 October 2023** Meeting closed at 20.24

Minutes taken by Zoë Lawrence 29/06/2023

SIGNED: ………………………………………….. Date:

Franklin Asante, Chair

ACTIONS FROM PREVIOUS MEETINGS

Ref	Action	Owner	Status
20 Mar 23 4iii	To expand on the People, Culture and Growth risk register to include quality T&L, and other risks and more detail on drivers and mitigating actions.	CC	**Carried forward**
4ii	Trend data on staff turnover and a breakdown of voluntary and non-voluntary redundancies and the average tenure and reason for leaving to be provided in the next Workforce Composition Report in October 2023	CC	
4v	CC to report back to the Committee on the success of the recent recruitment campaign at the next meeting	CC	