CORPORATION BOARD of UNITED COLLEGES GROUP
Minutes of the Finance and Resources Committee
Wednesday 19 June 2024, 6 pm – by Zoom

Members Present: Franklin Asante, Alex Fyfe, Nadia Babar (staff governor), Ross Mackenzie (Chair), Alastair Procter.
In attendance: Zoë Lawrence (Director of Governance), Amanda Thorneycroft (Chief Finance Officer), Luci Ord (Director of Business Development & Apprenticeships)

1	**Welcome and apologies for absence.** Apologies had been received from Stephen Davis and Laura Griffin.
2	**Declarations of Interest in the agenda items** No declarations of interest were made. The staff pay award would be discussed under the budget item, though this was generic and not related to a member of staff or group of staff it was noted in respect to any conflict for the staff governor present.
3	**Minutes of meeting held on 20 March 2024** The minutes of the meeting held on 20 March 2024 were approved as an accurate record. **Matters Arising** There were three matters arising. The first of these related to staff turnover which was covered elsewhere on the agenda. The second concerned the reassessment of the business units at the Olympic Office Centre with view to reducing these and the associated business rates. AT confirmed that this was still progressing, and it was hoped would soon conclude. The third concerned CWC Enterprises for which a paper had been provided. **CWC Enterprises** AT set out the approach being taken in the paper and explained that the changes were prompted by the reclassification of colleges in November 2022, in that any letter of support provided to a subsidiary company by a college now needed Department for Education (DfE) approval. The paper assessed the activities of CWC enterprises including lettings and those of the Cockpit Theatre and realigned these as either commercial activities that would go through the company, or educational activities which aligned with the college's charitable purpose. Legal and tax advice had been taken to ensure there were no unintended consequences of these changes. The intention was that through these means the company would be brought back into profitability and loss-making activities would be brought back into the college. These were mostly internal productions with students and similar activities. AT also highlighted that the external auditors were of the view that as the level of intercompany debt could not be reversed in a single year, that it would be necessary to seek permission from DfE to issue a letter of support this year. Options to convert the debt into an investment were considered but were not being proposed to the Committee at this stage. The focus was to make the company profitable and then gift aid proceeds to the Corporation. The level of debt was a material qualification for CWC enterprises in terms of a going concern, though this did not affect the consolidated accounts. AT was confident that it would be possible to trade out of the debt but did not indicate the timescale to achieve this. The issue of irregularity from the auditors and the impact of the current position on the company directors was noted. As part of the papers an agreement had been prepared between the Corporation and the subsidiary to provide clarity on the activities of the subsidiary and the ongoing relationship

	between both entities. It would not be applied to previous years, but a decision would be taken on the point of application for this year, and if it would be necessary for invoices to be re-issued to the relevant entity. However it was hoped that this agreement, which was not yet in its final form, would be approved by the Corporation at the July meeting so that it was in place for the beginning of the next academic and financial cycle. FA was content with the approach in the paper but would prefer to see some projections into future years. AF was in agreement with this, and that the proposal lacked financial information which would be of greater comfort to the company directors. She said that there would be increased confidence in the proposal to trade out of the debt if there was a clearer plan with financial projections for monitoring to make sure the planned recovery was on track. She expressed the onus of there being no wrongful trading. AF suggested that transfer pricing be checked, and that if the subsidiaries profit being generated was to offset losses it possibly could not be gift aided to the college and may be subject to corporation tax. AT said that advice was being taken and the agreement was being reviewed by Eversheds and Buzzacott's tax people, but she acknowledged her point and would check this. Members discussed the longer-term future of CWC Enterprises. AT said that the current intention was increased alignment with the charitable purpose of the college. In particular the Cockpit Theatre would be used for educational purposes and not solely a commercial theatre. It would explicitly be recognised as a college campus. CWC Enterprises would only take pure commercial income from lettings and when the theatre was let to third parties. AF commented that in the past CWC Enterprises had mostly broken even before the pandemic and sought AT's views on what may have changed this position. AT thought that the commitment to the London Living Wage was one impact plus the return of audiences post-pandemic. RM asked if there was any benchmarking information of colleges with subsidiaries. AT said that not many colleges had a theatre from which to generate commercial income, though she was aware that several colleges had loss-making subsidiaries for apprenticeships and other areas of provision. Members discussed the options of carrying the debt as a loan and if not called on then it dissipates the loss. This was accepted generally but was not permitted for colleges without DfE approval. The SLT were minded to seek DfE permission rather than have this possible irregularity. It was noted that Corporation approval was not required to seek permission from DfE, however it can take several weeks for the permission to be granted so would need to be applied for in good time as not to hinder the finalisation of the financial statements and consolidated accounts.
4	**PEOPLE CULTURE AND GROWTH** *(Papers circulated in advance)* **i. HR Balance Score Card** At presented the HR balance score card was providing a mixed picture at this point. Progress was still being made against several KPIs including the staff mix target, staff voice/satisfaction and staff sickness. AP sought clarification on the remuneration and award levels KPI. This was a measure of comparison against other colleges that UCG was rated in the 50^{th} percentile for pay and reward compared to other colleges. The target was to be in the 40^{th} percentile. The KPIs on the level of ethnic diverse managers had been met. Members noted the KPIs.

	ii. Staff turnover rate This paper set out the staff turnover rate for the first 8 months of 2023/24 and compared this to the previous year. It showed an improving picture and that there were areas with a higher staff turnover rate than others. AT commented on the efforts to increase the proportion of permanent staff compared with HPLs and agency staff in an attempt to improve staff retention. AP noted that the position was improving and that it would be helpful to have a full year's data. He was concerned that the benchmarks were not more up to date and that the comparator may have reduced post-covid and not provide much assurance. He suggested that this be looked at again with the full years' data and more up to date benchmarks early next year. AP asked if it was possible to compare between regretted and non-regretted leavers. AT said that performance was not graded so it would be difficult to do this. **iii. HR Risk Register** The HR risk register was largely unchanged from the previous version shared in March. AT commented that the risk relating to failure to recruit and use of agency staff was less of an issue now than it was just after the end of the pandemic and would likely be reduced within tolerance level and no longer be on the strategic risk register. Members noted the risk register. **iv. Pay Policy** The pay policy was shared for review and recommendation to the Corporation for approval. There was one change at para 6.5. Members were content with this amendment to the policy, however AP had some detailed comments he would provide to AT following the meeting. The comments mostly related to clarifications in the increments section of the policy. AT welcomed these and thanked AP for his feedback. Pending these amendments the policy was recommended to the Corporation for approval. AP left the meeting at 7 pm.
5	**FINANCE** *(Papers and policies circulated in advance)* **i. Budget 2024/25** AT explained how the budget was developed and some of the challenges in terms of assumptions made around uncertainties. The paper set out the anticipated income and expenditure and how this was tracked against reforecast. There were several areas where income was expected to increase. These included the 16–18-year-old allocation and borough income. The majority of the increase in income would be used for pay including the pension schemes and a 2% pay award for staff. Members discussed the flexibilities in the budget and where there may be efficiencies, acknowledging that there were trade offs between staff stability through appointing to permanent posts and costs associated with that. The budget was expected to achieve a small surplus. Members discussed the affordability of the pay award and that negotiations with trade unions had not yet started. It was noted that further negotiations with curriculum teams was still taking place on the budget more widely and this would continue until the version that was shared with the Corporation on 3 July. This paper set out the expected shape though there would be some movement to the detail. AF challenged the consistency of the I&E position and that some items differed from those of prior years. AT noted this and agreed to adjust where appropriate. It was noted that the increase in the Teachers' Pension scheme was offset by grant income again next year which

was agreed on an annual basis. **Committee resolved to recommend the budget for 2024/25 to the Corporation for approval.**

ii. **Management Accounts (April 2024)**
AT reported that at this point there was nothing in the management accounts that indicated an issue against the reforecast. The largest risk was payroll which was holding against reforecast at April though this may change by year-end. Members noted the management accounts.

iii. **Banking Covenants**
It had not been possible for a paper on banking covenants to be prepared for this meeting though AT provided a verbal update. The banking covenants were balance sheet related and focused on the year end position. It had long been understood that the banking covenants would have to be reset as a result of the increased borrowing as part of the Wembley Project but at the moment it was uncertain when this would take place. Barclays were well informed of the position and would be able to provide a waiver or amendment at the appropriate time. The college was able to replay loans and the calling in of loans was not considered to be a risk. It was noted that the £8.5m term loan from DfE had now been included in working capital.

iv. **Treasury Management**
The paper set out the approach taken, and the rates received. It had been suggested that there may be benefit in spreading the investments across more banks. FA concurred with this and that it was likely that interest rates would fall in the next period, so an improvement going forward was less likely, though banks were likely to become more competitive so it would be necessary to keep testing the market. RM supported the diversification of the investments and that it may be beneficial without limiting flexibility to be able to invest for longer periods for increased gains, so a review of term structure would be useful. AT agreed to look into these suggestions.

v. **Subcontracting Fees and Charges Policy**
LO explained that this policy is reviewed by the Corporation annually and following the ONS reclassification of colleges now included a procurement policy with certain thresholds. RM asked how the policy took into account ESG and EDI information and if it was sufficiently expressed in the policy. LO said that these were covered though the ITT process as part of the procurement portal. FA commented that VFM only had 5% weighting in the selection criteria and if this was usual. LO explained that the emphasis was on the quality of the learning experience and safeguarding rather than VFM in this case. The subcontracting was part of allocation so income was largely set. A management charge of 20% was given in the policy. The Committee resolved to recommend the policy to the Corporation for approval. The assurance audit letter for subcontracting was noted.

vi. **Finance Balance Score Card**
The finance KPIs were on track and financial health score good.

vii. **Finance Risk Register**
AT said that there had been little change to the risk register since the last meeting in March. She highlighted the two risks which were above tolerance and on the strategic risk register relating to the impact from the uncertainties from the Wembley Park Project. The extent of the delays to the project would negatively impact on cash and the ability to return to a break even position. RM asked if the property project should feature more strongly in the risk

	profile. AT considered this and mentioned the DfE's intent to flatten the profile of payments to help prevent the cash flow swing in the Spring term. She also said that the position on the bridging loan was now paused until after the election which may be of benefit. Members discussed what impacts there would be on the financial health score in various scenarios though these had not yet been modelled.
7	**AoB** No items were raised.
8	**Date of next meeting** **September 2024 (TBC)** Meeting closed at 7.51 pm

Minutes taken by Zoë Lawrence 20 March 2024

SIGNED: ………………………………………….. **Date:**

Ross Mackenzie, Chair

ACTIONS

Ref	Action	Owner	Status
3	To check the position on gift aid and corporation tax on the company profit to offset losses.	AT	
4ii	To reconsider the staff turn over rate with a full year's data and more up to date comparators within the FE sector.	AT	
5vii 03/24	To look into the option of reducing the number of units in the OOC as a means to reducing the level of business rates.	AT	**Carry forward**