

CORPORATION BOARD of UNITED COLLEGES GROUP
Minutes of the Finance and General Purposes Committee
Wednesday 20 January 2021, 6 pm – by Zoom

Members Present: Franklin Asante (Chair), Nick Bell, Alex Fyfe, Lee Horsley, Tony Johnston, Ross Mackenzie, Laura Griffin.

In attendance: Zoë Lawrence, Amanda Thorneycroft, Claire Collins.

1	<p>Welcome and apologies for absence. There were no apologies. 100% attendance.</p>
2	<p>Declarations of Interest in the agenda items No declarations of interest were made.</p>
3	<p>Minutes of meeting held on 1 July 2020 The minutes of the Committee held on 2 December 2020 were approved as an accurate record and would be signed by the Chair. These were the finance sections of the joint committee with Audit.</p> <p>Matters Arising The main item under matters arising concerned tuition fees, and it was agreed that this would be discussed under the budget reforecast item.</p>
4	<p>FINANCE ITEMS</p> <p>i. Budget Reforecast <i>(Papers circulated in advance)</i> AT presented the reforecast which was based on the November management accounts, current run rates, known changes, and the ILR at RO5. She explained that the ESFA had requested the submission of this reforecast by the end of January which was unusually early, but she still thought it was accurate based on current information. The majority of the adjustments were income related.</p> <p>AT explained the detail of the reforecast as set out in her paper. In particular she highlighted tuition fees and payroll. On tuition fees, which had been an issue in previous years, it was proving extremely difficult to reconcile the fees due as a result of online enrolment. In resolving this issue HE students were being prioritised as this was easier to address. TJ asked what changes were being made now to the enrolment process to remedy this gap in the process to prevent reoccurrence and ensure that the college was paid for what it delivered. AT said that the issue with tuition fees was stressed early on within the development of the online enrolment process. However, she felt that fee assessment and the ability to take deposits was overlooked in the enrolment process itself and a decision was taken to pick it up afterwards which has not proved reliable in most cases. A working group was assessing the situation now with view to recovering some fees but in many cases the advance learner loan information did not match the student records. Some students had not applied for a loan. All reconciliations were at an individual student level and the finance and MIS systems did not link together.</p> <p>NB said that in the subsequent year it was expected that the number of students that would require fee assessment was likely to reduce as a number of level 3 adult courses were likely</p>

to be funded through the GLA or AEB. He confirmed that the issue was being addressed as far as it was possible to do so and that the Committee would be kept apprised of progress. TJ welcomed the reduction fee assessment, but continued to challenge asking what protocols were in place for fee payment, and whether this was being rigorously implemented. The tuition fees policy set the parameters for payment and the level of fees, but did not go into this detail on debt recovery. It was acknowledged that it was a complex operational problem that had a strategic impact. Members sought a plan for addressing the issue for future enrolments.

Payroll was coming through under-budget. This was a combined effect of the reduction in student numbers at the beginning of term needing less reliance on agency and HPL staff, some vacant posts in both support and curriculum areas, a lower rate on the employer pension contributions, and financial support for the TPS continuing. Additional payroll costs had been incurred to deliver English & Math to small groups, though this had been matched through increased income. The reforecast was predicting a £500k positive variance overall on payroll.

The year outturn was anticipated to be £378k; a near break-even position. This was considered to be a prudent forecast from which all banking covenants would be met. If the management accounts over the remainder of the year showed material deviation from this a further review would be undertaken. The key risks were under-delivery against funding lines which may incur clawback, tuition fees, and payroll.

AF said that she was in agreement with the general approach to the reforecast, but asked what the underlying assumptions were relating to costs for the remainder of the financial year. AT said that it was assumed that some face-to-face teaching would resume following the February half-term, and that this was something that students themselves wanted. The buildings other than Wembley had remained open for supported learning and the majority of catering staff had been furloughed. Teaching was continuing online so no additional savings could be made on curriculum spend. AT was not expecting further material changes in respect to Coronavirus. Lateral flow testing for coronavirus was being planned for staff and students on return to the buildings, but this had recently been paused by Government. Some reimbursement of costs was expected from the testing on a formula basis, though this was unlikely to cover the actual costs it would be a contribution.

RM said that he had similar concerns to AF. He thought that even though the overall outcome was not dissimilar to the original budget, there was some high volatility within various budget lines. He said that he would welcome sight of an optimistic and pessimistic budget showing the upside and downside risks that would result in material shifts. NB confirmed that this analysis would be provided in future reforecasts.

RM also challenged the use of lateral flow tests for coronavirus. There was a high false positive rate, and the viral load needed to be quite high to be detected by which point the person was already highly infectious. AT said that requirements for testing had been made by the Department of Education and they were prescriptive with little flexibility. The Government had recently paused the requirement for testing in secondary schools and FE, which may be a result of further consideration of the benefits of the lateral flow testing.

Members approved the reforecast for submission to the ESFA at the end of January.

	<p>ii. Management Accounts (November) <i>(Papers circulated in advance)</i></p> <p>A number of the issues in the management accounts had been covered under the budget reforecast item. AT explained that the current year had started well and there was a positive variance, though there could be significant swings between months particularly at the beginning of the year and when the profile of income dips in February and March. On 16-18 year-old funding there had been efforts to re-engage students and a few had returned, but the numbers were small. It was anticipated that Apprenticeship income may be slightly down, but this had not been considered to be sufficiently material to include in the reforecast. Payroll in the November management accounts showed a £400k positive variance. This was as a result of vacant posts and not impacted by reductions in pension payments. Most of the variances on the non-pay were down to timing differences. Covid 19 related costs had been accounted for on a separate cost centre. Capital spend would come through on the December accounts which would show the investment in laptops and the refit project. Overall there were no concerns in the budget that would indicate at this point that the year-end outcome would not be met.</p> <p>TJ queried the projected spend for marketing and asked what marketing activity was not being done and what the material impact of this was likely to be. CC explained that a detailed analysis of existing marketing activity and its impact had been recently undertaken and was due to report. The outcome of this, which would be shared with this committee (and TLS Committee in due course) would inform the forward marketing strategy and work plan for the next year. The purpose was to ensure the marketing investment was cost-effective. CC also referred to a current campaign on the radio to re-engage students back to the college.</p> <p>Members noted the management accounts.</p>
5	<p>AOB</p> <p>i. Wembley & Willesden Project Update</p> <p>NB provided a brief update on the issues that would be discussed at the Property & Infrastructure Committee on 10 February to which F&GP and wider members had been invited. NB reported that the offer from Pinnacle on Crescent House at Wembley had increased from £18m to £20m which had reduced the project's funding gap to £7m. Further work was being taken forward to try to further close this gap. It was anticipated that the agenda on 10 February would include the draft HoT with Pinnacle, and a due diligence report on the company. A key discussion for the meeting however would concern making a formal offer on the Olympic Office Centre (OOC) currently owned by Network Homes, who were keen to move forward with the sale. The meeting on 10 February would need to include a discussion on the level of that offer and any negotiating parameters, timing and cash flow implications for the project, funding of the purchase, holding costs, and potential exit strategies should the sale fall through with Pinnacle in the future. NB said that the risks of purchasing the site would be fully explored in the report. LH asked if a valuation of the OOC was being conducted with and without the planning permission to inform the level of the first offer. NB confirmed this. Members welcomed this update in preparation for the meeting on 10 February.</p>
8	<p>Date of next meeting 17 March 2021</p> <p>Meeting closed at 7.30 pm</p>

Minutes taken by Zoë Lawrence 21/01/2021

SIGNED:

Date:

Franklin Asante, Chair

Ref	Action	Owner	Status
6iv 7/10/2020	To undertake a strategic review of the Cockpit Theatre and bring the report back to the appropriate committee for consideration. [this may fall under the Property Committee going forwards, but financial elements would need to be considered by F&GP]	NB/AT	
5i 18/05/2020 4i	To conduct a review of tuition fee assessment and credit control to reduce the loss of non-payment of fees. This should be considered within the enrolment process.	NB/AT	
4ii	To include the Marketing Analysis report on the next F&GP agenda.	CC/ZL	