CORPORATION BOARD of UNITED COLLEGES GROUP
Minutes of the Finance and General Purposes Committee
Wednesday 30 June 2021, 6 pm – by Zoom

Members Present: Franklin Asante (Chair), Nick Bell, Tony Johnston, Ross Mackenzie, Alex Fyfe
In attendance: Zoë Lawrence, Amanda Thorneycroft, Stephen Davis,

1	**Welcome and apologies for absence.** Apologies had been received from Lee Horsley, Laura Griffin and Nadia Babar.
2	**Declarations of Interest in the agenda items** No declarations of interest were made.
3	**Minutes of meeting held on 26 May 2021** The minutes of the Committee held on 26 May 2021 were approved as an accurate record and would be signed by the Chair. **Matters Arising** The action point from the previous meeting had been deferred to the Autumn term.
4	**Enrolment Update** NB provided an update of the progress made in developing the enrolment process. A blend of online and face to face was to be used this year. Progressing students would be enrolled next week and the process stress tested. Staff leave arrangements had been altered to ensure staff availability to support enrolment. A level of in-year funding for the following year had been promised from the ESFA to account for the high attrition in 2020/21. The details were still to be confirmed, but this was likely to be in the region of £2.1m depending on the numbers of students enrolled this September. SD explained that good progress was being made on the systems but more work was needed to booking online appointments. Covid 19 safety measures were being implemented to include arrangements for walk-in enrolments. Processes would be reviewed following the stress testing. Successful enrolment this year was needed for financial sustainability and also to ensure a good start for students, that they have positive experience. NB said that it would be possible for the Corporation to receive a first report on progressors by mid-July and then following that in mid-August once the GCSE results had been issued. A daily learner report against curriculum plan was also being prepared. The main marketing efforts were now in place and being seen in London. This was anticipated to be more effective than previous years reducing the cost per learner enrolled and increasing the return on the marketing investment. TJ asked what the position was in the wider market place, and the demographic profile. SD said that the number of 16-19 year old students was still increasing and there was also a demographic of NEATs. It was not certain yet what impact the teacher assessed grades would have on grade inflation, but it was expected that the rewarding bodies would want to control this. There appeared to be less marketing reach from UCG's main competitors at the current time. It was noted that there was an increase in A level capacity at UCG which could be utilised. Student were also now more comfortable travelling distances across London than in the previous year.

	AF asked if there was any competition from HE or schools? SD did not think that this was an issue this year. Sixth forms were being encouraged to form multi-academy trusts by government and post-pandemic the focus was still on the FE sector and skills. NB said that he was aware that some HE resources were being diverted into STEM centres outside of London as part of the levelling-up agenda. TJ recalled the issues with fee assessment in the enrolment process the previous year and asked if AT was confident that these had been resolved and the process was now robust. AT confirmed this. Members welcomed the update.
5	**FINANCE ITEMS** **i. 2021/22 Budget** *(Paper circulated in advance)* AT presented her paper setting out the parameters and assumptions made in developing the budget for 2021/22. The paper provided comparisons between the previous year and the reforecast and how it differed from the budget scenario presented at the previous meeting. The budget assumed that the target on student numbers would be reached, and the in-year ESFA income and costs had been included. A reasonable estimate of the allocation for the tuition fund had also been included. Payroll was based on the curriculum plan and structured to allow some flexibility with filling vacancies if needed. A 1% pay increase for all staff was factored in to costings. On TPS, the government grant for this was not assumed to continue beyond March 2022, and a lower % level on the LGPS had been taken. AF asked when it was likely that we would know that the criteria had been fulfilled for the ESFA in-year payment. AT said that this would be assessed at RO4 in December but it would not be received until April after the cash flow pressures in Feb and March. Capex spend would also be pushed back to support cash flow in this period. TJ commented that the 1% pay increase proposed was lower than the rate of inflation so represented a pay reduction. He asked what response had been received from Unions. NB said that UCG had followed the recommendation from AOC on the pay offer. If there was substantial push back from unions, there was potentially the option to increase the offer. This would also depend on pay offers within the wider FE sector. TJ also asked if the borough income had been budgeted in the same way as the previous year and whether an alternative approach should be taken given the difficulties experienced with Westminster City Council this year. AT acknowledged that this was an area of risk. **The Committee resolved to recommend the budget for 2021/22 to the Corporation for approval.** **ii. Wembley Park Project – Update** NB provided a verbal update on the application for the RCF from Barclays which had been declined in the first stages but an appeal was being prepared. The areas that needed to be adjusted concerned an increased level of liquidity in certain months and a higher cash balance to provide more confidence in being able to support the servicing of the loan. These changes had been factored into the budget. RM commented that unsecured lending of this nature was more difficult to get approval from a credit committee, and asked what other secured routes were being pursued. AT confirmed that work was continuing with a finance broker from which there were some interested parties. Options to bring forward the bridging

finance from Brent were also being considered. These would be discussed in more detail at the Committee meeting on Monday 5 July.

RM asked what the position was on the FE Capital Grant application. NB explained that this had been delayed and it was expected that further information would be provided in due course.

Network Homes were keen to progress the sale of the Olympic Office Centre and it was considered that the risk of their remarketing the property would increase as the Summer progressed. The sale of the Willesden and Wembley sites was progressing with overage and security being the outstanding issues. A plan B option to retain the Crescent building and refurbish both the Wembley sites with the proceeds from the sale of the Willesden Campus had also now been costed as a viable option. Members welcomed this update and that a more detailed discussion would take place at a joint meeting of the Property & Infrastructure Committee and Finance & General Purposes Committee on 5 July.

iii. Banking Covenants

(Paper circulated in advance)

AT's paper set out the current position on the financial and general banking covenants which would need to be renegotiated on the purchase of the Olympic Office Centre as the loan would breach the existing covenants. Barclays have been fully appraised of progress throughout and were aware of this position.

FA asked if Barclays exposure to the sector may impact on the renegotiated covenants being tighter? AT considered that this was a possibility and that perhaps the rejection of the RCF application was an early indication of this. RM noted the covenant relating to subsidiaries and sought assurance that the arrangements approved in respect of Visionnaires did not breach the general covenant. AT agreed to look in to this before the documents were to be signed. The amounts were not considered to be material, but it would technically breach the covenant. It would also indicate the level of seriousness in which we held of the covenants to check this point with Barclays. Members received this report for information.

iv. Treasury Management

(Paper circulated in advance)

The Treasury Management policy set out to split deposits across banks in short term investments, though these were all currently with Barclays. Funds were invested on rolling 95 day intervals to allow access for the purchase of the OOC. TJ asked if the RCF was to be further declined by Barclays if UCG would continue to deposit all reserves with them. AT said that UCG was not committed to Barclays but they provided the best interest rates at the time. Any leverage on the RCF if deposits were moved was considered unlikely. Options to move transactional banking to Barclays had not been taken forward as their commercial banking facilities were not as good as the existing arrangements.
Members received this report for information.

v. Management Accounts (May)

(Papers circulated in advance)

AT presented the May management accounts which were showing a positive position at this point in the year. She highlighted the tuition fund, GLA procured funding, tuition fees and the borough income from Westminster City Council. Pay roll was sound against budget and the non-pay spend showed a positive variance.

	AF commented that following the purchase of the OOC the income cash flows would be more sensitive and consideration would need to be given to the profiling. AT said that the profiling was still to be worked through but would be based on actual delivery. The borough income was currently invoiced late in the year and this was likely to continue. The positive variance on non-pay costs was noted. The processes of accruals was also discussed for year end. RM congratulated the SLT for managing a volatile budget position during the year and the likelihood of ending the year with a surplus. He was interested to know how other colleges had faired in the circumstances. **vi. Contract Approvals (Security and Catering)** *(Paper circulated in advance)* AT set out the procurement process taken to date in re-tendering for security and catering contracts. The evaluations had been provided with the papers. Students had been involved in the tender process and interview stages for the catering contract. AF suggested that any due diligence on finances and reputation that was not covered by the Purchasing Consortium arrangements be checked. **Members were content to approve ICTS and Taylor Shaw respectively to the preferred bidder stage of the process and to recommend these contract approvals to the Corporation.**
7.	**AoB** No items were raised. FA thanked the SLT for their hard work in preserving the financial position of the organisation and the positive outcome for this year. He expressed confidence in the approach being taken and praised the level of detail being provided in the papers to the Committee. FA thanked members for their contribution to the Committee during the year, particularly to RM as a new member who had provided valuable advice and insights to discussions.
	Date of next meeting **October 2021** Meeting closed at 8.00 pm

Minutes taken by Zoë Lawrence 01/07/2021

SIGNED: …………………………………………..   Date:

Franklin Asante, Chair

Ref	Action	Owner	Status
26/05 4iii	A paper on recruitment linked with the reward strategy be a main item at the Finance & Resources Committee in the Autumn term.	CC	**On Dec agenda**
5iii	AT to check with Barclays that the Visionnaires subsidiary was consistent with the banking covenants	AT	**Complete**