CORPORATION BOARD of UNITED COLLEGES GROUP
Minutes of the Finance and Resources Committee
Wednesday 05 October 2022, 6 pm – by Zoom

Members Present: Franklin Asante (Chair), Stephen Davis, Tony Johnston, Alex Fyfe, Nadia Babar, Ross Mackenzie.
In attendance: Zoë Lawrence, Amanda Thorneycroft, Claire Collins.

1	**Welcome and apologies for absence.** Apologies had been received from Laura Griffin.
2	**Declarations of Interest in the agenda items** No declarations of interest were made.
3	**Minutes of meeting held on 22 June 2022, and 29 June 2022 (Special Meeting)** The minutes of the above meetings were approved as accurate records. **Matters Arising** There were no matters arising.
4	**STRATEGIC** *(Papers and circulated in advance)* **I. ONS Reclassification of FE Colleges** SD introduced this item. The ONS's consideration of the reclassification of FE Colleges from private to public sector had come about following the Skills and Post 16 Education Act which placed more control of FE Colleges with the government. At this stage it was uncertain when the ONS would announce the outcome of this review, though it was expected towards the end of October, or what the implications would mean. SD referred to when this had taken place in Scotland and the establishment of Arm's Length Foundations (ALFs) into which college reserves could be transferred to protect them from government ownership. He was aware of other colleges taking similar steps now in response to the ONS review. His concern for UCG centred on the proceeds of the sale of the college sites at Wembley and Willesden and the ability to use these to build the new campus. If an ALF were to be set up, it would need to be before reclassification, it was not possible to do it subsequently. There was a potential risk in the longer term to the integrity of the ALF when the directors originally appointed may change. Legal advice had been taken which was provided in the paper. TJ highlighted that UCG would require permission from Barclays to set up an ALF as this was part of the banking covenants. He asked how likely Barclays would agree to transferring assets to an ALF in the timescales. He thought that the reclassification to the public sector would be attractive to the bank as their loans would be underwritten by government. AT said that she had had no further information from Barclays at the current time. She said that it would be unlikely that the Paddington building could be transferred as loans and the LPFA pensions were secured on it. There were potential positive outcomes of the reclassification on VAT for example. AF sought clarity on ownership of property should the funds be transferred and how the arrangements would work in the longer term. SD said that this was still unclear at the

present time. He did consider the possibility that with the local skills initiatives, that it may be decided that there was enough provision in Brent and the government may take the decision not to invest in the new campus. The political environment was difficult to predict.

RM asked if there had been engagement with the Department of Education on this strategic change. SD said that they were not commenting until after the ONS had reported. Accepting that it was unlikely that Barclays would be unable to agree to the setting up of an ALF within the current timescales, SD asked the Committee for their views if the timescales were extended would they want the executive to explore the option further so the facility of the ALF was available. Further discussion and agreement would be needed on what assets or reserves could be transferred to the ALF.

TJ asked if an existing company owned by UCG could be transitioned into an ALF which would not breach the banking covenants. It was agreed that this would be looked into. He also asked if there was an upside to the reclassification regarding the capital project that the risk would pass to the government, that they would become the underwriter.

AF commented that it would be useful to understand the financial position of the college sector and how the level of debt and asset base may affect government decisions. This was difficult to judge, particularly in an uncertain economy.

FA summarised that the Committee were content for the executive to continue exploring risk and mitigation measures in the event of reclassification.

II. People Culture and Growth/ Robust Financial Health Balance Score Card

AT and CC explained the current position on their respective KPIs on the BSC. It was too early in the academic year to report progress, but members welcomed having the KPIs early in the year and to be able to track in-year progress. TJ asked about the levels of attrition. SD said that the enrolment numbers were currently on target, and only a very small number with no attendance. Attrition was thought to be much lower than previous years. Many other London colleges were below target on 16-18 year old enrolments. It was thought that centre assessed grades had resulted in more students being retained by schools and sixth form colleges. There may also be an increased in NEETS. AF requested that numbers from the MIDAS report be brought back to this committee to be able to assess any continuing trends which may impact strategically.

III. Finance Risk Register

AT highlighted three main risks which were at tolerance level. The first of these referred to new sources of income as the GLA procured income was to come to an end this year and currently there was nothing to replace it. The second concerned costs increases which would be discussed later on the agenda, and that many of these were outside of the college's control. The third related to the risks of the Wembley Park project and the banking covenants. Members noted the risk register.

IV. HR Risk Register

CC explained that one of the risks was above tolerance regarding attracting skilled staff. The pay deal that was being negotiated was one of the mitigating factors together with making the organisation a positive place for people to work. Case studies of those who had progressed in the organisation were also being published on the website, and Investors in People accreditation was being pursued.

	TJ asked if the recruitment difficulties were across the board or in specific areas. CC said that the main areas were in specialised support roles and some teaching positions. The wider college recruitment environment was quite competitive across London with other colleges offering higher salaries for some roles. Members noted the risk register.
5	**HR** *(Papers and policies circulated in advance)* **i. Staff Survey** CC's paper reported on the staff survey which was conducted in June 2022. The response rate to the survey remained disappointing, but there was steady progress made in the majority of areas. It was hoped that this meant that the improvements made were embedded and sustainable. The areas of less satisfaction were known about and generally related to pay and reward, appraisal and development which were being addressed. Communications and EDI had shown some improvement. The methodology used for EDI including focus groups would be used in other areas. AF queried the question on comparisons of pay and reward, and who this was compared with. CC agreed that this was unclear. AF also asked which staff were included in the survey – this was all permanent staff and HPLs. TJ noted the improvement in IT and equipment and congratulated Paul Bradley on this change. He also queried the different response rates at different campuses and whether there were reasons for this. The lower response rate at Maida Vale may be due to the smaller staff group there. CC agreed to provide information on the response rate for each campus. RM thought the results were encouraging and suggested the use of pulse surveys during the year and an annual survey which may be a better way of monitoring progress whilst making it quick and easy for respondents. He also asked if there was any variation in the level within the organisation of the respondents, whether for example the responses were dominated by more senior staff. CC said that pulse surveys were done during lockdown and this may be something that could be considered again. SD reminded the committee that some limitations had been brought in on the degree of drill down into the data to be able to protect anonymity. Members welcomed the report and the positive progress made. **ii. Staff Engagement Action Plan** This report was covered in the above item.
6.	**Finance** *(Papers and policies circulated in advance)* i. **EoY Outturn – July 2022 Management Accounts** AT reported that the financial outturn for 2021/22 was aligned with the reforecast bearing in mind that the external audit was to start the following week so may be subject to change. AT highlighted the main points of her paper on income particularly borough income, and payroll which was higher than forecast. TJ asked about the unexpected continued agency spend in July. AT said that in doing the reforecast they had expected this to end, but it had not due to late processing of invoices and the continuation of some delivery areas into July. A detailed analysis of this was to be undertaken including lessons learnt. It was agreed that the headlines from this would be shared with the committee through the monthly management accounts. CC said that agency spend in some areas was higher due to the difficulties

	appointing to some senior level specialised support roles. Savings had been made in renegotiation of finder fees when agency staff were made permanent. AF asked if there were sufficient controls in place to monitor agency spend. SD thought there may be a control weakness as there was not an integrated finance and HR system. This was being taken forward as part of the collective objectives which would be included at Corporation in October. **ii. Budget Impacts** AT brought to the attention of the Committee the three main budget issues which had made an early impact on the July budget forecast. • There had not been any growth in 16-18 enrolment to date which had resulted in a small income reduction. HE numbers were also down on the previous year which would impact tuition fees. This may be slightly offset by an increase in GLA AEB funding. • The further negotiations on the pay award for staff were likely to cost an additional £4-500k. • Utilities, specifically electricity, with the business cap on unit costs applied was likely to cost a further £1m. TJ asked about the level of savings from the change to NI contributions. AT said that this was quite small at £125k. RM asked what measures had been taken to control utilities consumption and whether any stress testing had been done for further increases should there be a particularly cold winter. SD said that the rate on gas was fixed, and the issues mostly related to electricity. He was working with other colleges on this. It may be possible to contract delivery across certain days to control consumption if necessary. AF supported the stress testing and also to consider this for interest rates on the loans for the Wembley Project. Existing loans had fixed interest rates. It was expected that it would be necessary to draw on the RCF at the beginning of 2023 at which point borrowing costs may have increased significantly. The option of agreeing a deficit budget was discussed. TJ asked if Barclays had a view on this. AT said that currently it had not been discussed as it would be necessary to work through the reforecast first. SD said that the deficit was currently predicted to be in the region of £1.1m. RM was supportive of in year losses but was in agreement with AF that stress testing was needed as the macro economic environment may significantly increase the cost base. He asked if there was likely to be any additional financial support from government. SD said that at the moment this was considered to be unlikely as the recent budget announcement may mean that the prior CSR settlement is revisited and the proposed increases in the sector reneged, despite this being counter to growth of the economy through skills. TJ said that the competing pressures were understood, and that it would be important to balance the finances with delivering quality education. It may be of benefit to accept a level of deficit, but this would not be a blank cheque. The level of deficit that would enable a good service and not impact on student experience would be key. SD said that he had established a Task and Finish Group to look at generating cost savings through efficiencies and automation of systems. Members noted the report and look forward to receiving the reforecast in due course.
7	**AoB** No items were raised.

	Date of next meeting **30 November 2022 (Joint with Audit Committee)** Meeting closed at 8.02 pm

Minutes taken by Zoë Lawrence 06/10/2022

SIGNED: ………………………………………….. Date:

Franklin Asante, Chair

ACTIONS FROM PREVIOUS MEETINGS

Ref	Action	Owner	Status
4i	Executive to continue to explore risk and mitigation options in the event of reclassification of colleges by the ONS.	SD/AT	**Complete**
4ii	Strategic level data from MIDAS report to be shared with committee	SD	
5i	Survey response rate for each campus to be provided.	CC	**Complete**