

Minutes Finance & Resources Committee

Governance 2024-2025

Date	27/06/2025	
Time	16:00 - 17:30	
Location	MS Teams	
Present	Sujit Reddy (SR) Susan Kingman (SK) Nick Davies (ND) Amanda Priem (AP) Mike Sutcliffe (MS) Divya Menon (DM) Alastair MacLeod (AM) Keith Smith (KS)	Chair Vice-Chair Chair of GB Governor Governor Governor Governor Ex-Officio, CEO
	Shane Woodhatch (SW) Dylan McTaggart (DMT) Alex Denley (AD) Tim Hulme (TH) Julie Amory (JA) Anil Pujara (AP)	Chief Finance Officer Group Principal and Deputy CEO Chief Technology Officer Chief Operating Officer Chief People Officer Head of Internal Audit
Clerk	Clare Mitchell (CM)	Interim Director of Governance
Note Taker	Nataliia Tymkiv	

1 - General disclaimer statement at start of meeting:

The meeting was recorded for minuting purposes. No objections were raised.

2 - Apologies for absence

There were no apologies for absence.

3 - Declarations of Interest

There were no declarations of interest.

4 - Minutes of the last meeting dated: 12 March 2025

The minutes of the last meeting were formally accepted with no amendments.

RESOLUTION: The minutes of the last meeting dated 12 March 2025 were formally accepted.

5 - Actions from last meeting

Action 1 related to a previous discussion about investing in corporate bonds. The Committee had decided in favour of maintaining the current cash investments. This action was now closed.

Action 2 related to further proposals for estate development. This action was now closed.

Action 3 related to the procurement function. KS explained that due to budget constraints, procurement would not be brought in house at the current time. HRUC would be retendering for external procurement services. The costs of using an external procurement service were included in the budget for 2025/26 but might need to be reviewed depending on the services required.

SW addressed the fourth and fifth action items, noting that a five-year financial forecast had not yet been completed. A full five-year forecast would be produced once the impact of the new strategies, e.g. the curriculum strategy, had been modelled. The proposed fiscal rules were on the agenda and had been applied to the 2025/26 Business Plan (BP) to ensure strong financial management.

6 - People and Organisational Development (POD) Update

The Committee received an update on the People Plan, highlighting the progress since its initial production and outlining future commitments. There was an urgent need to reduce expenditure on agency staff. Steps were being taken to reduce reliance on more costly specialist agencies, this included training Reed staff to take on recruitment of the more specialist areas. This should be in place for September 2025. The outstanding HR policies were under review and were expected to be completed by July, subject to union engagement.

In response to a question about balancing staff wellbeing with performance expectations, JA explained that one of the aims of the learning and development strategy was to improve the effectiveness of performance management. The use of market supplements was suggested for hard-to-fill positions. JA responded that this was part of the options review currently being undertaken by a rewards consultant.

6.1 - Pay Review

The Committee received an update on the annual pay review, noting that the pay recommendation for 2025/26 would need to be considered in the light of the end of year deficit position. The final decision on the pay award would need to be taken following the outcome of the 2025/26 enrolment process. Union negotiations would also need to take place.

A final recommendation on the annual pay review for 2025/26 would come to this Committee and the Finance and Resources Committee once the enrolment figures were known.

ACTION 1: Recommendation on the annual pay review for 2025/26 to be brought to the Committee post enrolment - JA

6.2 - Update on Pay Harmonisation

The Committee received an update on the progress of the pay harmonisation work across the College group. Phase one of the harmonisation process had achieved alignment for approximately 62% of affected roles, particularly within support and administrative areas. Adjustments were being made through either salary uplifts or role reclassification.

The projected full-year cost remained within the harmonisation provision allocated for 2024/25. Phase two of the harmonisation programme was scheduled to commence in the following term and would address the remaining 38% of roles.

The POD Team was engaged in ongoing dialogue with unions to explain the phasing and manage expectations around timing and affordability.

The Committee asked for an update to the next meeting on the outcome of the pay harmonisation process, including the number of staff who remained on legacy contracts.

The Committee noted the POD update.

ACTION 2: An update on the outcome of the pay harmonisation process including the number of staff who remained on legacy contracts to come to the next meeting - JA

6.3 - Agency Staff Spending Control

An update was provided on the College's current position regarding agency staff usage and associated costs. The business plan for 2024/25 had not accommodated the significant increase in delivery/teaching costs associated with exceptionally high growth in 16-18 student numbers. In addition, agency spend had been incorrectly calculated and this was a significant contributory factor to the deficit position that was now expected at year end.

The Committee was advised that certain areas of the College, such as STEM and SEND, continued to rely heavily on agency staff due to ongoing recruitment difficulties. However, there were instances where agency staff were engaged for roles that could potentially be converted to permanent or directly contracted arrangements. A review was underway to assess whether these engagements could be reduced or phased out.

To improve internal controls on agency spend and increase scrutiny, managers would be required to attend fortnightly challenge sessions to justify agency spend. This would encourage departments to explore alternative recruitment strategies. It was acknowledged that while some progress had been made, there remained inconsistencies in practice across departments.

The Committee asked that sickness absence management was reviewed against agency staff usage to better manage costs.

ACTION 3: Sickness absence management to be reviewed against agency staff usage to better manage costs
- JA

7 - YTD 31/5/25 Results & EBITDA vs. BP 2024/25 and FC1 with Variance Analysis

The Committee received a reforecast (FC2) of the College's financial position at year end against the BP for 2024/25. The May 2025 management accounts had shown a positive position against the original forecast (FC1) of £530K. FC2 projected a 2024/25 year end deficit of £713K. As a result, the College group's financial health score would drop from outstanding to good for 2024/25. Discretionary non pay expenditure would be tightly controlled for the remainder of the financial year with the aim of further reducing the deficit.

The Committee received a summary of the reasons for the forecast year end deficit. There had been increases in income for 16-18 and high needs students, but the DfE had only funded 50% (£1.6m v £3.2m) of the in-year growth that the College had bid for following an unprecedented increase in the number of 16-18 students. The remaining 50% of the costs had been absorbed by the College. There had also been an increase in the number of high needs learners, some of whom had been unfunded in 2024/25. Together this had resulted in a shortfall in income of £2.5m.

Although there had been a reduction in permanent staffing of £2.7m, spending on agency staff was £10.4m higher than budgeted. FC1 had been calculated using an incorrect, lower, rate for agency staff. Some curriculum areas, such as high needs, were highly reliant on agency teaching staff and this too had not been reflected in FC1.

There had been an increase in non-pay expenditure of £5.7m compared to the BP for 2024/25. Part of the increase was due to the sharp increase in students with result that the BP had not accommodated for the increase in costs of course materials and exam fees. Furthermore, costs of exam fees and summer maintenance works which were normally expended in June and July were not accrued during the year which resulted in prior period results being shown as being higher than they should have been and delayed the highlighting of the negative results for the year. There was an above BP increase in the spend on consultants to cover a series of strategic initiatives where capacity and expertise was not available in house. Significant additional expenditures on health and safety, estates and security had also been required during the year in excess of budgeted amounts. The Committee asked SW to action the following.

ACTION 4: Provide data on the use of and spend on Consultants in 2024/25 -SW

ACTION 5: Reassess and update the forecast once student numbers are finalised to see if there was a likely impact on the 2025/26 BP early in the financial year so that EMT are aware of any constraints and areas where costs need to be managed in the light of student growth – SW

ACTION 6: All areas of expenditure covering employee and non-pay costs must be closely monitored so that they are judged against the 2025/26 BP. Any material variances or expenses outside the budget must be highlighted and brought to the attention of EMT. Any significant new projects or expenditure not anticipated in the BP must be highlighted and brought to the attention of this Committee - SW

7.1 - BP 2025/26 vs. FC2 2024/25

A draft BP for 2025/26 was presented. This would be submitted to the Corporation for approval, prior to submission to the DfE.

The BP for 2025/26 is expected to deliver a surplus result of £4.6 million. SW explained the narrative behind these figures, highlighting a 14.8% increase in income. This was made up of a £10.9m increase in 16-18 funding, reflecting the growth in student numbers in 2024/25 and an increase in high needs funding of £3.5m.

The BP revenue assumes a 3% increase in 16-18 learner numbers. This represented an increase of 265 above the allocation for 2025/26 of 8,836 students, bringing the total to 9,101. The related staffing costs have assumed a 6% increase in students (i.e.530). KS clarified that the target for this year's recruitment was

c.530-540 additional students. Any numbers above 530 would need to be accommodated within existing classes to avoid incurring additional staff costs. Enrolment numbers would be reviewed daily to track this.

The BP included provision for a 4% staff pay increase. SW emphasised the need for efficiency savings of £1.5 million to maintain staff costs as a percentage of income at around 66%. A controlled approach to managing these savings would be put in place, overseen by KS, to ensure the organisation stayed within budget. The Committee asked KS to provide details of the financial management processes and controls that would be put in place to ensure accountability and prevent overspending.

ACTION 7: Committee to be provided with details of the financial management processes and controls that would be put in place to ensure accountability and prevent overspending - KS

The discussion concluded with a proposal to produce updated projections once enrolment figures are known to assess the impact on income and expenses assumed in the BP.

RESOLUTION: The Committee recommended the BP for 2025/26 to the Corporation for approval

7.2 - Cash Flow Forecast - 23/24 to 26/27

The cash flow forecast discussion focused on the financial outlook from 2023/24 to 2025/26. SW provided an overview of the expected cash inflows and outflows, highlighting key drivers such as increased funding allocations and anticipated growth in learner numbers.

The discussion also touched on the importance of managing the budget prudently, with a focus on controlling costs and maximising income.

8 - Fiscal Rules Agreement

8.1 Reserves Policy

The Committee reviewed minor amendments to the Reserves Policy. In line with this policy, the College would seek to maintain cash reserves at the end of each month of at least 90 days cash in hand.

RESOLUTION: The Committee recommended the amended Reserves Policy to the Corporation for approval

8.2 Treasury Management Policy

The Committee reviewed the Treasury Management Policy. An annual report on treasury management would be presented to the Committee for the preceding financial year. The CFO was required to report immediately to the Committee in the event of any significant issue, variation or cause for concern relating to Treasury Management function or activities

RESOLUTION: The Committee approved the amended Treasury Management Policy

8.3 Fiscal Rules

SW reported on the fiscal rules that had been applied to the 2025/26 BP process to ensure strong financial management and achieve an outstanding financial health score. He emphasised the importance of these rules in protecting the organisation's financial position.

The discussion on the fiscal rules focused on the KPIs set by the DfE, which were used when calculating financial health scores. The importance of maintaining an EBITDA higher than 6% to achieve an outstanding financial health score was emphasised. Adherence to the BP for 2025/26 would mean that all of the DfE's KPIs were met or exceeded.

The importance of adhering to the business plan without unauthorised changes was stressed, ensuring that any modifications were properly governed and transparent.

The discussion concluded with a general agreement on the benchmarks set and the necessity of maintaining strict adherence to the business plan to ensure a healthy financial position next year.

RESOLUTION: The Committee approved the fiscal rules used in the 2025/26 BP

9 - COO Update - Overview

The COO's update covered major capital projects and facility maintenance/improvements in progress and those that are planned.

The following analyses were provided:

- Capital Projects – Estates – College Funded
- Capital Projects – Technology – College Funded
- Capital Projects – Estates – Grant Funded
- Technology Projects – Listing of Projects at Priority 1 (P1) and Priority 2 (P2)

Capital Projects – Estates – College Funded

This report provided details of spend in 2024/25 and Capital Requirements for 2025/26 and 2026/27. Projects covered (Project Ambition, Barra Hall, Harrow Weald, Summer Works and Richmond Contract close).

The amounts shown in the analyses for Project Ambition indicated a capital expenditure requirement of £5 M in 2025/26 and £4.7M in 2026/27. However, in the BP only £3.2 M was allocated for 2025/26 and £3.9 M was included in the cash flow for 2026/27 – it was considered necessary to phase the project over 3 years to protect cash reserves. Extending the project over three years rather than two meant that there was risk of increased costs e.g. inflationary uplifts but this was necessary considering the importance of maintaining our cash reserves. Expenditure on Barra Hall of £1.85m was allocated for 2025/26 to complete the facility in time for the 2026/27 academic year. The summer works program required £750,000 annually for general estate improvements. Additional allocations were made for section 106 and 278 works with Richmond and the lease of space to accommodate additional SEND students in Harrow Weald.

Capital Projects – Technology – College Funded

Technology projects were discussed, including digitalisation of enrolment, applicant journey, cloud-based XR platform, safe zone application, Windows 11 deployment, group HR payroll and LMS systems, and smart campus roadmap. Each project was outlined with committed budgets and expected outcomes. The discussion emphasised the importance of adhering to budget constraints and ensuring clear outcomes for each spend. A four-stage process for project approval would be implemented, ensuring strategic business cases led to full business cases and proper governance.

Capital Projects – Estates – Grant Funded

Significant DfE grants have been received by the College to fund improvements across the College such as upgrading roofing in various sites, washroom replacement, The Whitehouse and other general improvements across the campuses. It was very important that these expenditures were completed within specified timescales and spent on the projects for which the amounts had been granted. Otherwise, there could be a risk of loss of some of this grant money.

The discussions on the estates projects highlighted the need for significant capital investment to bring the estate up to a reasonable standard, estimating the cost at around £23-24 million over a five-year period. This investment was necessary to address the poor condition of 14,000 square meters of space across the five sites.

Technology Projects – P1 and P2 Projects

The IT budget discussion focused on the planned capex spend on equipment and additional transformational projects for 2025/26. The budget includes £2.15 million for normal annual capex spend on equipment and an additional £2.1 million for various transformational projects. These projects were aimed at improving digitalisation, automation, and business processes within the organisation.

The Committee was provided with an overview of the planned IT investments, highlighting key areas such as the new HR Payroll and LMS system, digitalisation of the enrolment process, and improvements in business processes. The budget also included a provision for consultancy fees to support these projects.

AD outlined the various IT projects that he would want to launch in the coming years. AD had allocated them into key priorities (P1) and lesser priorities (P2). He confirmed that the BP has factored in the P1 projects but expressed a wish to be able to work on P2 projects as soon as finances allow. The discussion concluded with a

commitment to provide a detailed paper explaining the expected benefits of these investments. The Committee agreed to discuss risk appetite regarding IT spending and setting a buffer in the budget to accommodate unexpected costs.

The COO update concluded with a consensus on the necessity of maintaining strict budgetary controls and ensuring all projects aligned with strategic goals.

RESOLUTION: The Committee approved the capital budget as set out in the BP for 2025/26

10 - IT Budget

RESOLUTION: The Committee approved the IT budget as set out in the BP for 2025/26

ACTION 8: Prepare a detailed paper explaining the planned IT spending and the expected benefits of these investments - AD

11 - Appointment of the External Auditors (Tender)

The appointment of external auditors was discussed, with Hayes Mac LLP having been recommended for appointment following a tender process. Once this appointment had been approved by the Corporation, onboarding would begin for the 2024/25 year-end audit in October and timely completion of financial statements for approval in December.

The discussion highlighted the timing challenges of appointing new external auditors at the end of the financial year and suggested it may have been better to have appointed them much earlier so that they could have understood the College group better.

12 - Any Other Business (AoB)

No other business was raised.

13 - Dates of the next meetings 2025/26:

1. 10th September 2025, 5:30p.m.
2. 11th November 2025, 5:30p.m., (TBC)
3. 4th March 2026, 5:30p.m.
4. 24th June 2026, 5:30p.m.