

Minutes

Finance & Resources Committee

Governance 2024-2025

Date	03/12/2024	
Time	17:00 - 18:30	
Location	Microsoft Teams	
Present	Sujit Reddy (SR) Susan Kingman (SK) Alastair MacLeod (AM)	Chair Governor Governor
	Keith Smith (KS) Shane Woodhatch (SW) Dylan McTaggart (DM) Julie Amory (JA) Anna Beattie (AB) Mark Brough (AB)	Ex-Officio, CEO Chief Financial Officer Group Principal Chief People Officer Director of Finance Director of Estates and Facilities
Absent	Nasim Khan (NK) Amanda Priem (AP) Sunitha Cee (SCe)	Vice-Chair Governor Governor
Guest Presenter	Glen Bott (GB)	External Auditor – Cooper Parry
Clerk	Perry Perrott (PP)	
Note Taker	Nataliia Tymkiv (NT)	

Agenda

1 - General disclaimer statement at start of meeting:

The meeting was recorded for the purpose of minuting.

2 - Apologies for absence

Apologies were noted from NK, SCe and AP. The meeting was quorate.

3 - Declarations of Interest

No declarations were noted.

4 - Minutes of the last meeting dated: 11 September 2024

The minutes of the 11th September 2024 meeting were approved.

5 - Actions from last meeting

Outstanding actions from the previous meeting were reviewed and marked as completed or deferred where appropriate.

The discussion began with an analysis of the EBITDA for the years 2023 and 2024. It was noted that the EBITDA for 2023 was 12.3%, which decreased to 5.43% in 2024 due to increased staffing and operational costs.

The budgeted EBITDA was 9.53%, and with the growth in the 16 to 18 provision and high needs, along with the additional staff required, the forecasted EBITDA is 11.1%, exceeding the FE sector average of 6.41%.

The Committee was assured that the college's financial position remains strong, with the EBITDA's red line set at 5.39%. At this level, the college would still generate sufficient cash flow to meet its operational and capital investment needs.

SR sought clarification on the projected minimum EBITDA figure, which was confirmed at £4.5M if the 5.39% red line is reached. It was further explained that at 11.1% EBITDA, this figure would rise to £8.345M. Additional discussion explored staff costs, which are currently projected at 66.83% of income, aligning closely with the FE sector average of 66.81%. The maximum acceptable staff cost ratio was set at 70%, with an amber warning threshold at 68%, prompting proactive management if reached.

The discussion also covered the payroll cost percentage. The budget included a 5% increase, with a 3.5% consolidated pay award and a 1.5% non-consolidated pay award.

The staff ratio as a percentage of income was 61.72% in 2020, 68% last year, and is currently running at 66.19%.

With the new posts required for growth, this figure is expected to be 66.83%, close to the FE sector average of 66.81%. The red line for staff costs was set at 70%, with an amber benchmark at 68%, indicating the need to review growth models and staffing to avoid reaching the red zone.

The discussion also touched on the Section 278 works related to road works near the Richmond campus. The bridge demolition plan was revised to retain the bridge and reposition the walkway, with works starting in February and completing by October 2025. There was also a discussion on the retention amount of £520,000 with Clarion, which is expected to be refunded as the conditions were met.

6 - Enrolment, Funding and Salary Update post budget

It was reported that HRUC's allocation for 16-18-year-old learners was exceeded by 690 students, while the total enrolment was 645 students higher than the previous year.

An in-year growth application for 389 learners, estimated at £2.7 million, would be submitted to the DfE on the 5th of December 2024.

The full impact of the 690 learners will be realised next academic year, equating to £4.8 million.

The need for new staff posts to support the increased student numbers, with associated costs estimated at £1.75M was noted. This expense was factored into the updated budget forecasts and operational planning to ensure the college could sustain its expanded enrolment and high-needs provision.

The Committee also reviewed high-needs provision, where enrolment increased from 685 to 864 learners, generating an additional £5.4M in revenue (related staffing costs estimated at £3.5M).

It was highlighted that high-needs funding had become the college's second-largest income source, justifying the strategic decision for expanding provision by acquiring Barra Hall. Ongoing discussions with the borough council to secure additional funding were noted, especially for "Element 2" allocations tied to current student numbers.

In response to a query about how the college planned to manage the increased high-needs intake, given that new facilities at Barra Hall would not be operational until the next academic year, the management team explained that 60% of the high-needs students were integrated into mainstream courses, reducing immediate capacity pressure. Additionally, temporary portacabins were installed at Harrow Weald to accommodate students, and South Field was identified as a potential long-term development site.

SK challenged the sustainability of such rapid growth and asked whether building a second site like Barra Hall is being considered. Management team acknowledged that growth projections were accelerating, making long-term capacity planning essential. It was added that discussions were ongoing with the local authority about developing a new educational facility. It was further noted that while new builds were costly, acquiring and refurbishing an existing site could be more financially viable. Funding discussions with the council were progressing, though local authority budgets were constrained.

The impact of the National Insurance increase was discussed, with an expected financial impact of £300,000 for the current year and over £900,000 for a full year. It was uncertain whether the College would receive a rebate, pending confirmation from HMRC.

The Committee was informed of a 5% pay award, split between a 3.5% consolidated and 1.5% non-consolidated increase. Additional 0.5% Christmas 'Thank You' payment for staff in December which was approved under Chief Executive Delegation of Authority was noted. This would be financed from £1M in savings from unfilled posts.

The executive team's pay award had been approved earlier through the Search, Governance, and Remuneration Committee, under a separate governance process.

ACTION 1: Submit an in-year growth application for 389 learners, worth approximately £2.7 million, to the DfE by 5th December 2024. - SW

7 - Investment of Cash Reserves

The Committee discussed the investment of cash reserves, focusing on the need to invest surplus funds to achieve better returns while maintaining flexibility. HRUC has around £40 million balance in cash reserves for the next three years, with a requirement to hold £20 million for short-term needs. The remaining amount is available for medium to long-term investments.

Expected cash inflows were outlined, including payments from Clarion and the Greater London Authority related to Richmond Phase Two. However, major cash outflows were also anticipated, including £5.5M for Project Ambition, £2.5M for IT upgrades, funded through EBITDA. Despite these planned expenditures, the college expected to maintain a steady cash balance.

Barclays proposed various investment options, including short-duration bonds and corporate bonds. The current account yields 4.35%, but this is expected to decrease as interest rates drop to 3%. Short-duration bonds offer a yield of 4.74%, while corporate bonds offer a higher yield of 4.95%. The corporate bonds have a 2-day notice period for withdrawal, providing flexibility without financial penalties.

These bonds would be backed by financially stable, blue-chip companies.

The Committee discussed the potential benefits of investing in corporate bonds, given the higher yield and the flexibility to withdraw funds if needed. It was recommended that the college should consider this option for the £15 million designated for medium-term investments. The Committee also reviewed the cash flow projections for the next three years, which indicate a stable cash position with positive cash generation. The planned investments in capital projects and the expected cash inflows from various sources support the decision to invest surplus funds in higher-yielding options.

SR raised concerns about the risk profile of corporate bonds and asked what protections were in place. AB explained that investments would be spread across a diversified portfolio of reputable companies, reducing exposure.

KS raised concerns about the risk associated with bonds, particularly in the context of managing public money and ensuring that investments align with taxpayers' interests. The conversation highlighted the need for diversification to mitigate risks and the importance of ethical investments under ESG (Environmental, Social, and Governance) considerations. The Committee resolved to seek more detailed information from Barclays regarding the companies targeted for corporate bonds and to ensure ongoing monitoring of the investments.

SW was tasked with obtaining detailed information from Barclays on the corporate bonds, including the companies involved and their risk profiles. The Committee emphasised the importance of transparency and ethical considerations in their investment decisions. It was agreed that once the revised proposal was approved by KS, it would be distributed with an electronic voting form for final approval.

RESOLUTION: The Committee resolved to seek more detailed information from Barclays regarding the companies targeted for corporate bonds and to ensure ongoing monitoring of the investments.

RESOLUTION: The Committee resolved to invest £15 million in corporate bonds, subject to receiving detailed information about the proposed investment portfolio, ESG compliance, and withdrawal conditions, concluding that the proposed investment strategy aligns with the college's financial goals and provides a balance between achieving better returns and maintaining liquidity.

ACTION 2: Obtain detailed information from Barclays on the corporate bonds, including the companies involved and their risk profiles. - SW

ACTION 3: Provide quarterly reports on the performance and ethical considerations of the investments. - SW

ACTON 4: Distribute the revised proposal with an electronic voting form for final approval once approved by KS. - PP

8 - Human Resources

JA provided an update on the current state of vacancies and attrition rates within the organisation. Significant improvements were noted in recruitment processes, leading to a reduction in the number of vacancies.

Potential risks were highlighted due to changes in the UKVI skilled worker visa schemes, which could impact the organisation's ability to hire skilled workers.

The discussion covered challenges in filling 'hard-to-fill roles', particularly in engineering and business, and the reliance on Skilled Worker Visas for these positions. Some delays in hiring were attributed to managers wanting to retain specific individuals temporarily. Efforts are being made to streamline the hiring process and ensure managers understand their responsibilities.

A Governor suggested incorporating hiring efficiency into managers' goals, which JA agreed would be facilitated by the new HR information system. The expansion of candidate sourcing channels, particularly through Reed, was discussed, with improvements noted in the quality and quantity of candidates sourced.

The Committee acknowledged the positive impact of reduced staff vacancy ratios, which had dropped from 17% to 7%. AM noted that while this was good news, it could put financial pressure on the organisation. The discussion concluded with praise for Julie's efforts and a recognition of the ongoing work needed to maintain and improve recruitment processes.

RESOLUTION: It was decided to incorporate hiring efficiency into managers' goals to streamline the hiring process and improve recruitment outcomes.

ACTION 5: Investigate efficiencies within the hiring proactive by manager and revert back with findings. - JA by 12th March

ACTION 6: Expand candidate sourcing channels, particularly through Reed. - JA by 12th March

9 - Statutory Accounts

The audit report for the statutory accounts was presented by Glen Bott (GB) from Cooper Parry. The audit process was smooth, the auditors issued unmodified, clean audit opinions for both the financial statements and regulatory compliance, indicating that the accounts presented a true and fair view of the HRUC's financial performance. There were no significant issues identified during the audit, and the internal control improvements from the previous year were addressed.

GB highlighted that seven previous audit recommendations from last year had been partially addressed, with only two carried forward:

1. Reviewing and updating the asset register to remove fully depreciated assets no longer in use.
2. Ensuring the Richmond asset register was properly maintained.

GH noted that a post-year-end inventory of Richmond had already been conducted, and the issue was on track for resolution.

The audit recommended stricter procedures for updating Governors' Declarations of Interest, including cross-checking with Companies House. PP confirmed that governance processes would be revised as recorded in A&R Committee.

The Committee approved the financial statements, subject to the incorporation of proposed minor wording changes and agreed to submit them to the Corporation for final approval.

RESOLUTION: The financial statements were approved, subject to the incorporation of proposed minor wording changes and agreed to be submitted to the Full Corporation on the 10th December 2024 for final approval.

10 - Library Business Case update

The discussion on the Library Business Case update focused on the strategic and financial aspects of acquiring the Uxbridge Library.

DM provided an overview of the strategic objectives, emphasising the need for additional premises to accommodate growth and reduce pressure on the Uxbridge campus. The new building would serve as an academic centre of excellence, primarily for A-levels and GCSEs, and would create additional space on the main campus for technical industries.

SW discussed the financial aspects, noting that the initial negotiated price for the library was £4.2 million, with estimated renovation costs projected at £2.2 million. However, there was a need to engage architects to refine

the design and obtain accurate refurbishment cost estimates. The Committee agreed on the importance of defining the building's requirements and ensuring it met the needs of the students.

In response to Governor's query whether alternative funding options, such as government grants or partnerships, had been explored, SW confirmed that discussions with relevant funding bodies were ongoing but stressed that internal cash reserves could cover the acquisition if needed. Concerns were raised about the potential for unexpected maintenance costs, given the building's age to which the Committee was assured that a full structural survey would be completed before finalising the acquisition, and any associated risks would be factored into the revised business case.

In response to a Governor's question on how the proposed library space would integrate with existing facilities and whether it would be equipped with modern teaching technologies, it was explained that the renovation plans would include state-of-the-art classrooms, collaborative learning spaces, and digital teaching tools to support hybrid learning models.

The discussion also covered the potential challenges of providing kitchen facilities and the importance of ensuring students could be fed on the premises. SW assured the Committee that a solution would be found, whether through a servery or other means.

The Committee emphasised the need for timely updates and decisions, particularly given the March deadline for completing the acquisition. It was agreed that the specification and plans should be finalised by the end of December, with quotes obtained by the end of January to make an informed decision.

KS highlighted the importance of making a decision quickly to maintain a positive relationship with the Council.

The Committee agreed to review the updated business case and financials at the Chairs meeting on January 20th, with the goal of making a final decision by the end of January.

RESOLUTION: The Committee resolved to defer submitting the business case to the Corporation Board until the revised financial projections, survey results, and architectural designs are available.

RESOLUTION: The Committee agreed to review the updated business case and financials at the Chairs meeting on January 20th, with the goal of making a final decision by the end of January.

ACTION 7: Engage architects to refine the design and obtain accurate refurbishment cost estimates for the Uxbridge Library. - SW by 20/01/2025

ACTION 8: Finalise the specification and plans for the Uxbridge Library acquisition. - SW by 20/01/2025

ACTION 9: Obtain quotes for the Uxbridge Library refurbishment. - SW by 20/01/2025

11 - Review Financial Regulations

The Committee conducted a comprehensive review of the institution's updated Financial Regulations, focusing on enhanced procurement practices, expenditure control, and strengthened governance procedures. AB led the presentation, explaining that the proposed revisions were developed in response to audit recommendations, sector-specific regulatory updates, and evolving institutional needs due to recent large-scale projects such as Project Ambition and the Uxbridge Library acquisition.

A central feature of the updated Financial Regulations was a revised Delegation of Authority Framework, designed to clearly delineate expenditure control and streamline the financial approval process. Under this framework, financial authority levels were adjusted to reflect operational responsibilities and mitigate potential risks associated with large-scale procurement and capital investments.

The revised delegation levels are being reviewed and will follow in the final financial regulations document.

In response to a question on how often the delegation framework would be reviewed, given the institution's evolving financial structure, it was confirmed that the delegation levels would be reassessed annually as part of the institution's financial governance audit. This would allow for timely adjustments in response to inflation, operational changes, and regulatory updates, ensuring the framework remained both responsive and scalable.

A CTO's review of section 6.7 related to technology to ensure its suitability was requested.

In response to Governor's question about compliance monitoring under the new regulations, AB responded that quarterly compliance audits would be conducted, with findings reported directly to the Finance & Resources Committee. Additionally, internal audits focusing on procurement, contract management, and financial oversight would be expanded to ensure continuous monitoring.

A Governor further asked whether managers responsible for procurement and budget management would receive additional training on the updated regulations. AB confirmed that mandatory training sessions would be rolled out following the Corporation Board's approval. These sessions would target budget holders, senior managers, and the Executive Management Team, ensuring that all staff members involved in financial decision-making fully understood the revised authority levels and compliance expectations.

SW added that several key audit recommendations from Cooper Parry had been incorporated into the updated regulations, including strengthened fixed asset management procedures. Specifically, any capital project exceeding £500,000 would now require a comprehensive asset review and financial impact assessment, ensuring that asset records remained accurate and up to date. This addition was made following previous audit findings related to asset registration inconsistencies at the Richmond campus.

It was confirmed that minor typographical corrections and clarifications raised during the meeting would be integrated into the final document. Once finalised, the updated Financial Regulations would be submitted to the Corporation Board for approval at the next scheduled meeting.

RESOLUTION: The Committee voted to accept the financial regulations subject to the discussed variations and changes, which was unanimously ratified.

ACTION 10: Review section 6.7 related to technology to ensure its suitability. - CTO

ACTON 11: Finalise the financial regulations document before sending to Full Corporation for Approval. – SW by 10th December 2024

ACTION 12: Develop a comprehensive training schedule for all relevant staff involved in procurement and budget management. – JA, SW by 12th March 2024

12 - Annual Health & Safety Report

The Committee reviewed the Annual Health & Safety Report presented by MB, which highlighted key achievements, including a 37.5% reduction in reportable incidents, improved fire safety measures, and upgraded risk management protocols across campuses. The institution remained fully compliant with national health and safety regulations, supported by strengthened incident reporting and expanded staff training.

During the discussion, SR asked about the frequency of fire drills and evacuation procedures. MB confirmed quarterly drills were conducted, with consistent compliance on evacuation times.

In response to concerns raised about the safety risks of using portable cabins at the Harrow campus, the Committee was assured that comprehensive risk assessments had been completed, with enhanced fire safety measures, including additional exit routes and extinguishers.

In response to Governor's query about mental health integration into the safety framework expanded mental health support services, including workshops and access to mental health advisors were highlighted, noting improved incident reporting in this area.

It was added that additional health and safety funding had been secured, enabling the replacement of aging safety equipment and further campus safety audits.

The Committee noted the report, emphasising continued monitoring and proactive improvements.

13 - Any Other Urgent Business (AoUB)

No urgent business was brought up for discussion. The Chair confirmed there were no additional items to address.

14 - Dates of the next meetings

The next meeting dates were confirmed as follows:

- 12th March 2025
- 25th June 2025

Additionally, a Chairs and Vice Chairs meeting will be held on 20th January to review the library business case update. The Chair mentioned that he would not be present for the Corporation meeting next week, and SK will present a summary of the main points discussed in this meeting.

Summary of Actions

Action No.	Description	Responsible Person	Deadline
1	Submit an in-year growth application for 389 learners, worth approximately £2.7 million, to the DfE by 5th December 2024.	SW	5th December 2024
2	Obtain detailed information from Barclays on the corporate bonds, including the companies involved and their risk profiles.	Management Team	Ongoing
3	Provide quarterly investment performance reports.	SW	Ongoing
4	Distribute the revised proposal with an electronic voting form for final approval once approved by KS.	SW	Ongoing
5	Investigate efficiencies within the hiring proactive by manager and revert back with findings.	JA	12th March 2025
6	Expand candidate sourcing channels, particularly through Reed.	JA	12 th March 2025
7	Engage architects to refine the design and obtain accurate refurbishment cost estimates for the Uxbridge Library.	SW	20th January 2025
8	Finalise the specification and plans for the Uxbridge Library acquisition.	SW	20th January 2025
9	Obtain quotes for the Uxbridge Library refurbishment.	SW	20th January 2025
10	Review section 6.7 related to technology to ensure its suitability.	CTO	10 th December 2024
11	Finalise the financial regulations document before sending to Full Corporation for Approval.	SW	10 th December 2024
12	Develop a comprehensive training schedule for all relevant staff involved in procurement and budget management.	SW, JA	12 th March 2025