

12th July 2024 Finance & Resources Committee

Governance

Date	12 th July 2024		
Time	5.00pm – 6.00pm		
Location	Online Teams		
Present:	Alasdair MacLeod	(AM)	Chair
	Simon Boulcott	(SB)	Vice Chair
	Sue Kingman	(SK)	Governor
	Keith Smith	(CEO)	Ex Officio CEO
In attendance:	Dylan McTaggart	(DCEO)	Deputy CEO, Group Principal
	Shane Woodhatch	(CFO)	Chief Finance Officer
	Julie Amory	(GD,P&OD)	Group Director of People & Organisation Development
	Jo Withers	(CoBS)	Chief of Business Strategy
	Clive Hodge	(PHC)	Principal – Harrow College
	Gavin Hughes	(PRC)	Principal – Richmond upon Thames College
Invited speakers:	Asif Khan	(AsP-IoT,E&T)	Assistant Principal - IoT, Engineering and Technologies
	Yaseen Akhtar	(MD-IoT,BS&P)	Managing Director - WLIoT, Business Growth, Skills & Partnerships
	Karen Elliott	(AD-P&OD)	Assnt Director of People & Organisation Development
Governance:	Perry Perrott	(CoS)	Chief of Staff
	Rekha Kaul	(SGF)	Senior Governance Manager
Apologies:	Nick Davies	(ND)	Governor
	Anna Beattie	(DoF)	Director of Finance

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12th July 2024 Finance & Resources Committee – Minutes of Meeting

1.0 General disclaimer statement at start of meeting:

The meeting began with a statement of disclaimer. Attendees were informed that the meeting was being recorded in compliance with the General Data Protection Regulation (GDPR). There were no objections to the recording of the meeting.

1.1 Apologies for absence:

Apologies for absence were received from Governor ND and from invited speaker DoF.

1.2 Declarations of Interest and Gifts / Hospitality:

AM asked for any declarations of interest or gifts and hospitality received by members. The CoS confirmed that none had been received in advance. No declarations were made.

Action 1: The MIT Boston trip declarations are to be formally declared for the group of travellers at the 16th July Corporation.

2.0 Minutes of 6th March 2024 Finance & Resources Committee

The committee reviewed the minutes from the GB Finance & Resources Committee meeting held on 6th March 2024. No comments or changes had been received in advance. AM expressed his approval of the minutes, and these were noted as approved.

Decision: The minutes of the 6th March 2024 Finance & Resources Committee meeting were approved.

2.1 Action Log of 6th March 2024 Finance & Resources Committee

The committee reviewed the action log from the previous meeting and noted that all actions were on target and completed.

3.0 Risk Register - F&R extract

The CFO led the discussion on the Risk Register, which is focused on four key areas: economic growth and prosperity, outstanding learning experience, sustainability, and people with the associated mitigation actions and costs. The CFO provided an explanation of the poor financial health score, liquidity and solvency of the group which are represented as a high-risk due to the year-end adjustment to the prior year write off which had the possible risk of the downgrading of HRUC's health score. The CFO detailed the £5k mitigation costs for legal advice incurred to address these risks. The year end position was discussed with the DfE and it was concluded that central government approval was not required. The DfE have sent a letter confirming HRUC's financial health score is outstanding and have published HRUC's finance record. The Committee questioned whether the financial health score should remain as high risk, to which the CFO and the CEO responded that it would remain in the risk register, albeit as a lower-level risk and will ultimately be removed from the risk register. As a reminder, the HRUC accounts were signed by the CFO and the Chair of Governors in March 2024.

The GD,P&OD discussed the risks associated with hard-to-fill vacancies and the strategies in place to mitigate them, including a people plan strategy and action plan.

The CEO formally noted the highest risk as being the critical incident which has occurred in July 2024 involving a HRUC student. There is potential for widespread repercussions across the college.

The DCEO highlighted some of the quality and curriculum risks are to be updated in line with the updated CQA risk register. The CoS mentioned that the current iteration of the risk register would be reviewed at the next full corporation meeting before transitioning to a new system in September.

The CoS advised that the 16th July Corporation will be the final showing of current iteration of the HRUC risk register, before it is transitioned across to the new format HRUC risk register.

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4.0 HR Report

The GD,P&OD presented the HR Report, focusing on several key areas:

- Benchmarking against competitors on Gender Pay Gap, noting that HRUC did not perform as well compared to peer colleges. The adoption of the London Living Wage and an additional HRUC uplift will help close the gender pay gap issue and also address the hard to fill roles.
- Public availability of gender pay gap information is accessible on the government's website.
- Staff focus groups and how their feedback aligned with the proposed actions in the People Strategy.
- Ongoing negotiations with Trade Union regarding the pay settlement, with the final offer made.
- Timelines for recruitment and retention programs, assured to be in place by September.
- In-house recruitment model with Reed, operational by October, with a promise to provide an update on projected savings at a future meeting.

The Governor discussion focused on:

- Competitor analysis report on gender pay from local peer colleges. A plan is in place to address the gender pay gap.
- The HRUC Pay Harmonisation date is set for 1st January 2024. Agreement of this had taken place with the Trade Union, but consequently a further discussion commenced regarding the date. HRUC are hopeful for the 1st January 2024 date to be formally agreed/settled imminently.
- Timeline for the hard-to-fill vacancies and the new approach to in-house recruitment programme are to be in place by September 2024 and operational by October 2024.

Action 2: The GD,P&OD to provide a report on the cost savings of the Reed in house Recruitment and Retention model at 20th November 2024 F&R Committee.

5.0 Financial updates

The CFO provided a detailed update on the financial status of the HRUC group:

- Forecast of a surplus of £900,000 for the current academic year and a budgeted surplus of £1.8 million for the next year.
- While income remained static, staff costs had increased by 4%, and non-pay costs have increased by 3%. The AEB base rate is assumed to be increased by 1% to offset the increase in non pay.
- The EBITDA remained strong, increasing to 9% next year and then declining to 8% in the two planned years.
- The staff costs as a percentage of income were rising to 67% this academic year and anticipated to rise to 69% next year and then 70% in the two planned years.
- There is a vacancy factor of £10m.
- Restructuring of corporate services anticipates £1.5m costs.
- Lower staff costs are anticipated with natural attrition rates, anticipating potential saving of £2.5m.
- A 4% pay award is assumed across the Board for next year.
- Increase in educational income from £76m to £83m driven by:
 - 10% increase in 16-18 provision (from £50.6m to £56m).
 - Increased allocation (from 7464 learners to 7914 learners). Currently, our Actuals are 7872 which is 451 learners above the allocation. The importance of achieving the yearly allocations and yearly enrolment to the HRUC group was highlighted.
 - Increased element 2 funding from £3.7m to £4.1m (616 learners to 683 learners) per allocation.
 - Increased element 3 funding for Agency other funding from £6.7m to £7.5m.
- Barra Hall purchase offer price £2.9m. The building is to be surveyed during summer 2024 and additional in year costs will be outlined thereafter and brought back to the F&R committee.
- Since the preparation of the budget, there has been an additional funding of £1.9m received from the DfE. The CFO has budgeted £1m to address the toilets and staff rooms across the estate, in line with HRUC's commitment to staff welfare and making HRUC the College of Choice to work.

The Committee questioned the staff ratio costs as a percentage of income to be kept in the 65% - 67% ratio. The CFO will produce a 5 year financial plan which is in line with HRUC's Strategic Plan. This will include the desired parameters for staffing levels, which should be between 65% - 67%. HRUC are investing in key senior posts for business and commercial reasons and these roles will be performance pay related e.g. the recruitment of a Managing Director for Apprenticeship and Skills role will bring generate increased Apprentice income over the 5 year period. Simultaneously, other initiatives (College Online, MIT and other confidential acquisitions which have been discussed previously in the year under confidential cover) will bring in additional income. All of these initiatives will suppress the overall staff ratio factor.

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The Teachers' Pension Grant has increased from 23.68% to 28.6% (from £1.8m to £2.4m). The employer contributions increased from April 2024 by 5% on the cost base.

Capital expenditure is £15.7m, in the planned year £14.9m and £7m in the second planned year). This includes significant investments in the estate, driven by the £6.5m Capital Transformation Fund which addresses the condition rating of the buildings. There has been an energy efficiency grant of £750k to be spent over the period. Project Ambition planned expenditure £12.4m plus the normal planned expenditure on IT equipment required for curriculum.

The CFO assured that the end of year cash position remained strong at £42m in the budget and will remain outstanding throughout the period. The Committee acknowledged the balance sheet strength and requested a detailed breakdown of ongoing projects and their funding sources before the next corporation meeting. The committee agreed to recommend the budget to the corporation for approval.

The CEO emphasized the importance of prudent financial planning and the need for a strategic approach to using surpluses for investment.

Decision: The F&R committee agreed to recommend the budget to the 16th July Corporation for approval.

Action 3: The CFO to provide the F&R Committee with a detailed breakdown of ongoing projects, their year and their funding sources prior to the 16th July 2024 Corporation.

Action 4: The CFO to provide a five year financial planning in line with HRUC's Strategic Plan to the 11th September 2024 F&R Committee.

6.0 Capital Projects - update incl. Project Ambition

The CFO provided an update on the STEM building at Regiment. The CEO and CFO are scheduled to meet with Transport for London and the Council to resolve issues related to the Section 278 works. The current quotation for these works is valid until July, and going out to tender could significantly increase costs. The Section 278 works involve modifying the road infrastructure around the college, including installing traffic lights and pedestrian crossings to improve safety. There is also a need to remove a bridge outside the college, which has met with resistance from local residents and the council.

The CFO addressed the ESFA financial statements, confirming that the financial health score remains outstanding and there are no issues with the financial position. The discussion moved on to approving an interim allocation of £750,000 for IT projects, which includes £500,000 for new computers. This early approval allows the IT department to order equipment in time for the new academic year. Additionally, £500,000 was allocated for minor works and £300,000 for other minor projects, making a total of £1.5 million. The committee approved this allocation unanimously.

Decision: The F&R committee approved an interim allocation of £1.5m which is £750,000 for IT projects, £500,000 for minor works and £300,000 for other minor projects.

Further, the CFO updated on the sale of Barra Hall, where an offer of £2.9 million has been approved by the Council Strategy Board and Asset Board, with final approval expected from the cabinet on July 25th. The sale is advantageous due to the intended use of the building for educational purposes, which aligns with community interests.

Action 5: The CFO to bring the formal agreement to purchase Barra Hall to the F&R Committee and full Corporation for formal decision in autumn 2024. The CFO to provide clarification of the sale price, the cost of the remedial works and business case that clarifies the income that is expected to be generated from the investment into SEND provision at Barra Hall.

Finally, the CFO provided an update on Project Ambition. The budget includes £12.4 million for various construction projects, including linking buildings and possibly relocating the Learning Resource Centre (LRC). The design work discussions are ongoing, and final plans and costings will be presented to the committee and the board for approval by September.

Action 6: The final Project Ambition costings and plans to be presented to the 11th September 2024 F&R committee and 8th October 2024 Corporation.

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7.0 Standing Item: HE and IoT update

The Asp-IoT,E&T provided an update on Higher Education (HE) and the Institute of Technology (IoT) by discussing the Access and Participation Plan, which has been approved, allowing the institution to charge £6,500 in fees. They are also pursuing the Teaching Excellence Framework (TEF) and degree-awarding powers, which will expand the HE offerings beyond IoT subjects to include other areas.

The Asp-IoT,E&T highlighted the need for a structured approach to manage the growth and complexity of HE. He mentioned a phased plan to develop HE across the group, which will be detailed in future meetings.

Governors requested a deeper session on the growth assumptions behind the income and learner numbers, suggesting a session to better understand the increase in learner projections.

Action 7: Deep dive into HE, IoT and Apprenticeship growth assumptions behind the income in learner numbers at the 20th November 2024 F&R Committee.

The MD-IoT,BS&P talked to the highlights of the marketing strategies for the IoT, including the development of a dedicated website and promotion through social media and newsletters. The location of the IoT is to be considered as part of Project Ambition activity. The MD-IoT,BS&P will present a detailed IoT ppt at the 16th July full Corporation.

The CFO added that the budget includes 80% of the predicted growth targets, providing a buffer in case targets are not met. The CoBS mentioned that the Apprenticeship target profiles are set as floor targets, with stretch targets given to the sales and curriculum teams to encourage higher performance.

8.0 Any Other Business (AoB)

No additional business was noted or discussed.

9.0 Dates of meetings 2024-25

The provisional dates for the Finance & Resources Committee meetings for the 2024-25 year were confirmed, subject to ratification by the full Corporation on July 16th. The dates are as follows:

- Wednesday, 11th September 2024, 5.30 - 6.30 pm
- Wednesday, 20th November 2024, 5.30 - 7.30 pm (joint with A&R)
- Wednesday, 12th March 2025, 5.30 - 6.30 pm
- Wednesday, 25th June 2025, 5.30 - 6.30 pm

The meeting concluded with a thank you to Chair AM for his service as the chair of the F&R committee, acknowledging his diligence over the past year as he moves to a new position within the board.

12th July 2024 F&R ACTION LOG:

No.	Action:	Who:	By When:
1.	The MIT Boston trip declarations are to be formally declared for the group of travellers at the 16 th July Corporation.	Governance	16 th July Corporation
2.	Report on the cost savings of the Reed in house Recruitment and Retention model.	GD,P&OD	20 th Nov F&R
3.	A detailed breakdown of ongoing projects, their year of funding and their funding sources.	CFO	16 th July Corporation
4.	A five year financial plan in line with HRUC's Strategic Plan.	CFO	11 th Sept F&R
5.	Formal agreement to purchase Barra Hall to the F&R Committee and full Corporation for formal decision in autumn 2024. The CFO to provide clarification of the sale price, the cost of the remedial works and business case that clarifies the income that is expected to be generated from the investment into SEND provision at Barra Hall.	CFO	11 th Sept F&R 8 th Oct Corporation
6.	The final Project Ambition costings and plans to be presented.	CFO	11 th Sept F&R 8 th Oct Corporation
7.	Deep dive into HE, IoT and Apprenticeship growth assumptions behind the income in learner numbers.	Asp-IoT,E&T / MD-IoT,BS&P	20 th Nov F&R

SIGNED:

DATE: