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2021-22 Approved F&GP Minutes - 23.06.22.pdf

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New City College

FINANCE & GENERAL PURPOSES COMMITTEE MEETING MINUTES
Date: 23 June 2022
Venue: Poplar
Time: 5.30 pm.

Chair	Stephen Critoph
Corporation Members	Gerry McDonald; Marilyn Hawkins,
Co-optees	Brij Patel
Apologies	Rob Hull
Officers	Suri Araniyasundaran: Deputy CEO Jamie Stroud: Group Director of Finance
Director of Governance	Elsa Wright
In attendance	Richard Surtees - Group Executive Director Curriculum Development & MD Westbourne Jamie Stevenson - Group Director of Apprenticeships & Business Development

Item No	Item of business
1.	**Chair's welcome & opening remarks** The Chair thanked everyone for attending and introductions were made.
2.	**Apologies for absence** Rob Hull sent apologies which were accepted by the committee.
3.	**Declaration of interests** No declarations were made.
4.	**Minutes of the meeting of 10 March 2022** The committee agreed that the minutes of its meeting of 10 March 2022 were a true and accurate record of the meeting with the addition of Brij Patel as an attendee.
5.	**Matters Arising and Action Plan** The actions had been completed as set out in the action plan.
	STRATEGIC MATTERS **for discussion, decision or action**
6	**Subcontracting and Partnership Report** The Group Director of Apprenticeships & Business Development joined the meeting and introduced his report. There was a good retention rate from R04 which stood at 99% for the Orthodox Jewish Schools and 96% for Access to Music. Ther had been an increase to $£2.1m on the ILR and this should increase by 300k by 31 July. There were no concerns about the 16-18 outturn. For AEB, another £300k of enrolment was needed and this was continuing. It was all from the ESFA allocation which was high risk as it was delivered almost exclusively at Epping. The priority for the team was to ensure that this happened. The Access to Music contract at Hackney was ending. The four Orthodox Jewish schools included Beer Miriam, JTAG, Get set Girls and Vista. The AEB contractors were set out in the

	report. The College worked with Learning Curve and the Skills Network to deliver online. The contract with NGTC to deliver Spectator Safety and Construction for the unemployed had been terminated and payment had been withheld until certification was submitted. The strategy was to reduce the number of contractors and to bring more in house, but this had been slowed by the pandemic. There was a partnership with Dynamis who delivered on campus, with registration and QA systems run by NCC. Governors asked about the achievement data. There were some students awaiting outcomes with the majority expected to pass. In year retention was key at this time of year. The College was much smarter about the data and ensuring students completed. There were no national rates and the comparisons in the paper were aggregated for whole sector and were not by course or provider type. **Proposals for 2022-23** The proposal was to increase 16-18 provision at the OJ schools to 420. Achievement was high and they had been inspected as part of the good Ofsted inspection. The management fee would be reduced to 33% as less support was needed in terms of CPD and monitoring systems were in place. The AEB budget would be maintained at £1.5m which was back to where it was pre-pandemic. The proposal was to work with the 6 providers and funds would be with redistributed and reduced further over time. Dynamis was a partnership and would be maintained at 500k. Governors asked about long term plans. The College would like to bring more in house but some potential learners were hard to reach and wouldn't come into college and organisations such as the Bromley by Bow Centre could get them involved. There would be a construction offer looking at low carbon and green technology based at Rainham. The Chair thanked the Group Director of Apprenticeships & Business Development for his report. It would be good to hear more about the work with employers. This was covered at the Curriculum committee and the Director of Governance would share the annual report from CQS with the committee after the first autumn meeting. The committee noted the progress with the 2021-22 subcontracting and partnership provision. The committee agreed to recommend the proposed partnerships arrangements for 2022/23 16-18 provision and Adult Education Budget to be approved by Corporation**.** **ACTION** - T**he committee agreed to recommend the proposed partnerships arrangements for 2022/23 16-18 provision and Adult Education Budget to be approved by Corporation.** **ACTION - Director of Governance would share the annual report from CQS with the F&GP committee after it had been discussed by CQS at the first autumn meeting**
7	**Health and Safety** **7.1 Termly report** The Deputy CEO explained that the report covered the period January to March. There had been a lot of good work with an enhanced team which would help to get everything completed by end of August, including the specialist inspections which were on an annual cycle. There had been very few incidents, with one RiDDOR, and the full accident statistics were included in the report. There had been an increase in Havering campuses due to improved systems and reporting. There was much better co-ordination across the group. Hackney had a number of specialist curriculum areas and a high number of SEND learners. Each curriculum director would review risk assessments in their area and systems were in place top review them and ensure they were comprehensive. **7.2 Health and Safety Policy** The Health & Safety policy was reviewed every two years. The paper in the pack showed the amendments as tracked changes. The statement of intent had been reviewed. The policy mirrored the national guidance, but it was quite light on the role of the Board. It was suggested that there could be an item at the board meeting to remind all members of the statutory responsibilities. The committee felt that this should be articulate at the Board level and discussed whether there should be a health and safety champion. It was agreed that a short session at the start of the October meeting or the Strategy Day from the health and safety consultant would be helpful. The revised statement of intent drew on good practice from the sector shared on the governance professional network. All Board members would be asked to complete the online training. There were no experts on the Board and it would be

	helpful to have an external person to review the processes and policies and bring a report to the Board. The Deputy CEO explained that the internal auditor did some of this work. They had access within their team to specialists but agreed it would be helpful for each board member to better understand how the duty was delivered through assurance an external review. The health and safety report would come to this committee. **ACTION – The committee recommended the policy to the Corporation for approval** **ACTION – The Director of Governance would arrange for the internal audit report to come to the autumn meeting** **ACTION – The Health and Safety Consultant would be invited to the Strategy Day. Deputy CEO and Director of Governance to arrange this.**
8	**Finance Matters** **8.1 April Management Accounts** The Quarter 3 forecast indicated that the College would continue to work within the agreed £700K deficit, to take account of the additional subcontracting cost discussed at the last Committee of £480K, and the more recent cost of bringing forward the 3% pay rise for all staff (not managers) to 1 June. This would cost circa £238K. There were still challenges within that, but the team was confident that they could control costs. The full year forecast on income suggested the net shortfall was likely to be circa £1 million, mainly from commercial or demand led income. All income streams would be pursued and where there were shortfalls, the team would continue to look for further savings through final quarter. There were risks that the position could be worse than this but as long as the AEB threshold of 97% was met, it should be achievable. The front summary sheet had been updated with comparators for previous years included. The committee agreed this was a better format and key ratios for ESFA were all covered. EBITDA would be worth adding. Governors asked what the response had been from the trade unions regarding the early salary increase. It had not been positive even though it was above the National recommendation of 2.5% consolidated plus 500 unconsolidated with £750 for those earning below £25k. **ACTION – The committee noted the management accounts. The summary sheet should be updated to include EBITDA** **CONFIDENTIAL ITEM – see part 2** The College was now in dispute with UCU which had 320 members. They would need 50% to vote for strike action and this could lead to industrial action over enrolment. The CCCG had a similar income level to NCC and they had offered 4% to those earning £30-43k get 4% and those under 30k would get 9%. There had been no pay rise at all for 2020-21. Managers would get nothing. They had one additional point on their teaching scale. UCU were sticking with their 10% claim. The NEU which was the main union at the Sixth form had asked for 16% over two years. There was a risk to the 42 days if staff were on strike. It was likely to be co-ordinated nationally. If the Executive went back to discuss further options, it would add pressure to the budget. There was a proposal to have a review at Q1 which looked at the cost-of-living pressures. If there was a vote, Tower, Arbour and Hackney would get the 50% needed. There was also the change to sick pay for legacy staff at Hackney. There was a consultation in place to change the contract as there were no actionable triggers for sick leave. 59 staff were affected, and this would be reported as a fire and rehire issue. Colleges outside London said that they could not afford the national recommendation. **8.2 Draft Budget Proposals 2022/23 and 3 year forecast**

	The Deputy CEO introduced the report. The Finance Director and the management accounting team had worked hard to get to a break-even position but to achieve this, growth of 520 learners had to be achieved. The Adult Education Budget (AEB) had increased due to the Level 3 National Skills Fund (NSF) allocation, with£1,000k included in the budget for 22-23. The College would to add more courses in year to meet the additional £223k for the full NSF allocation. It was a challenging but prudent and realistic budget with resource plans around staffing to achieve it. Estates and utilities would continue to be under pressure. Income had increased by £7m with a core funding increase in the ESFA income the rate for 16-18 as well as grants for Multiply, Boot camps, and a £2.5m increase for the Strategic Development Fund (SDF). The 16-18 finding was guaranteed but it would impact on next year's funding if enrolments were down. The College had a contract for Multiply but the money had to be earned. The SDF was 95% certain but had to be earned every month. SMT scrutiny had looked at the budget, line by line over 2 days. Apprenticeship starts were positive but challenging. Governors asked about the flexibility around costs. Two of the projects had margins of 10% and Multiply had a higher margin. The challenge was around recovery post COVID. ESOL recruitment for next year was already very busy. The CEO was hopeful that language school enrolments would continue to improve and that the College would see an upturn with an increase in applications for adults. He was cautiously optimistic for 16-18s. The impact of a recession was mixed but in the past had been good for colleges. The labour market would become tight and training opportunities would be limited. As unemployment increased, it would be harder for 16-18 year olds to get employment and they might look to retrain. However, a number of 17 years olds had left college to go into employment this year and this was not the normal pattern. The GLA adult budget stood at £17.2m and there would be a 13.5% uplift which would be confirmed the following week. The sector had lobbied hard for this. The demographics for 16-18 should be increasing but it was hard to know how accurate the data was. Around 1 million people were thought to have left London post Brexit. HE income was at a similar level but there was a lot of curriculum change this year which was a risk. It was now managed through the local directorates to allow for progression from Level 3 to 4 to be managed. The work would now focus on the future development of the Bath Spa partnership and there would be some high level proposals for the July Corporation meeting. The team would continue to actively review costs across the College as the pressure would continue to be upward with pay demands and utility cost increases. Governors asked about how staff were involved in managing costs. There had been a lot of work by the Finance Director and Deputy CEO with senior staff having a much better sense of ownership of their budgets. The forecast was stretching. The team was looking at new areas such as a strategy for delivering a commercial offer for professional training. Rainham would be used to deliver professional level tickets by offering quick and easy trade skills courses for people new to the industry or those wanting to upskill. The College had filled some critical vacancies for construction staff. It was difficult to model the impact of inflation on a cost basis as it had been 3% when the work had started and now this was now being monitored closely. The expectation was it would start to fall next year as the cost shock of utilities dropped out. There would be higher costs on the RCF. The Committee was requested to recommend to the Corporation a break even budget for 2022/23. **ACTION – The Committee agreed to recommend the budget to the Corporation** **8.3 Draft Capital Proposals 2022/23**

The report set out the proposals for 2022/23. The College aimed to make a certain level of investment on an annual basis. More could be spent, but the proposal was for around £4.6m. There was additional T level funding which the College would need to match. Investment at Poplar was lower and this would have to be reviewed at some point if the campus was not redeveloped. Governors asked how the total was calculated. All directors were asked to submit plans and the estates team looked at planned maintenance with both elements brought together and then reviewed before SMT sign off. The bids totalled around £7.6m this year. In the past, the College had spent 100% of net depreciation but now it spent around 50% to preserve cash. SMT reviewed bids line by line with detailed plans for estates and IT. Costs were rising and everything was tendered with investment going where it was needed most. The projects at Epping and Ardleigh Green were starting on site. There had been some additional claims made by the contractor at Rainham but they had been limited and were built into the cash flow.

ACTION – The committee agreed to recommend the proposals to the Corporation:

- **Routine revenue funded capital budget for 2022/23 of £4.6 million, including contributions for the matched capital T level funds**

The committee noted the delegated authority given to the CEO to continue drawing up masterplans for the Group.

There was a discussion about investment in systems improvement. Savings had been made through the integration of finance systems and £0.5m was earmarked for business improvement processes. This would be included in the paper for the Corporation. The cash position was strong as the College had received £5.4m from Signature.

8.4 Procurement and contracts

The current RCF with Barclays was due to expire in December 2022. The Executive was looking at a £10m RCF with both Santander and Barclays. It was important to understand the covenants for any arrangement. The extra cost would be about £30k per year but rates were increasing. The committee discussed the options. It seemed like a sensible insurance given the current environment. The Group Finance Director confirmed that the current RCF was £5m and had been used previously in March when the income profile went down. Capital projects were about to start in both Epping and Ardleigh Green and this would offer comfort for those projects. There were risks but cash was strong as assets had been sold. The funds were earmarked for capital projects and the RCF would help to smooth any month to month variation, if required.

Members had received previous reports on the contract with Tottenham. It was a very successful programme which delivered high quality provision. The contract was just above the CEOs delegated limit. The committee agreed that the contract could be signed off by the CEO.

ACTION - The Committee approved delegated authority for the CEO to negotiate and sign both contracts within the overall terms and conditions set out in the report.

ACTION - The RCF would be explored for £10 million for a 5 year term and the Corporation would be asked to give final approval

8.5 Oxford School of English

The committee were updated on the proposal and why it was coming back for discussion now. The College had kept in touch with the broker and positive signs were being seen in the sector post COVID. The Executive was asking for permission to complete the due diligence work on the potential acquisition. Governors had previously agreed to this, but it had put on hold due to COVID. The College had a strong offer for ESOL and this would sit alongside that and the provision at Westbourne Academy.

It was important to look at a three year plan for both income and learner numbers. The outturn for 2019 was included in the report and this year the OSE was reporting a surplus. In response to questions, it was confirmed that the market at Westbourne was growing again

	with 120 students booked for the summer. The junior market, which was mainly school groups, was improving. The sector had shrunk with around 30% of language schools closing. School groups from Germany, Switzerland and Spain had booked from October into next year. The CEO explained that the detailed due diligence that would come to the Corporation meeting would contain the required detail including KPIs and market projections. The work would be completed by PWC. The asking price was 50% of that agreed before COVID. The school had an income of almost £2m with around £200k profit pre COVID. There had been an impact from both Brexit and COVID and the Board would want to know about this and any potential issues around funding new premises when the lease expired in 2 years' time. It wasn't possible to assess future performance with previous data as the market had changed but there would be a business plan and options for new premises included in the information for the Board. The CEO explained that the work would include looking at a route out of the market. The College had paid £1.55m for Westbourne and if sold, the property was worth around £800k. There was no asset with the OSE purchase. The College would look at alternative premises in parallel with the due diligence. Governors asked about the data available. There was good information from 2016-17 to 2019-20 which showed that the school had a good track record and this would be tested. There was no reason why it shouldn't return to this level and there were signs of recovery. The GED International explained that the school would play an important role strategic within the group. The CEO noted that this had been a useful discussion to help identify at this stage, the information that the Board would need to make a decision. It was good governance to take this onboard and feed into the due diligence process. The Executive was asked to test how critical the owner was to the business and to identify options for alternative premises. The CEO was confident that with the changes in the retail sector, it would be possible to find an alternative property in a good location. The current premises were in a shopping centre. **ACTION – the points raised in discussion would be examined as part of the due diligence process. The Corporation would be asked to make a decision on the acquisition at the meeting in July**
9	**Policies for approval** **9.1 Financial regulations** There were no changes proposed to the financial regulations with just some tidying up of the policy. The terms of reference would be added to the document. **9.2 Supply chain policy** The supply chain policy was sent to all subcontractors to ensure they were clear about the College's position and the funding guidance set out that the terms offered had to be disclosed. The approach was to use standard contracts and the College would review any variation. **ACTION – The committee agree the financial regulations and supply chain policy for final sign off by the Corporation**
10	**Terms of reference and committee self-assessment** The Director of Governance explained that the terms of reference had been changed in the previous year but there were no changes proposed this year. The Board was still looking to strengthen the membership of the committee and recruitment was in hand. Committee members were asked to complete the self-assessment and return it to the Director of Governance. **ACTION – The committee approved the terms of reference**

	ACTION - All members to complete the self-assessment
11	**Any Other Business** There were no items to report.
12	**Date of next meeting** 20 October 2022 tbc