

**FINANCE & GENERAL
PURPOSES COMMITTEE
MEETING MINUTES**

Date: 25 June 2024

Venue: Poplar Board room

Time: 5.30 pm.

Chair	Neil Yeomans
Corporation Members	Gerry McDonald, Rob Hull, Brij Patel
Officers	Jamie Stroud: Group Director of Finance Peter Armah, Group Executive Director Human Resources (item 5 only) Richard Surtees, Group Executive Director International and Curriculum Development (Item 6 and 10.1 – taken after item 6)
Director of Governance	Elsa Wright
Apologies	Cynthia Griffin

Item No	Item of business
1.	Chair's welcome & opening remarks The Chair thanked everyone for attending
2.	Apologies for absence Apologies had been received and were accepted from Cynthia Griffin.
3.	Declaration of interests None recorded.
4.	Minutes of the meeting on 7 March 2024 The Finance and General Purposes committee agreed that the minutes of its meeting on 7 March 2024 were accurate and would be signed online.
5.	<p>Matters Arising and Action Plan</p> <p>There were no matters arising that were not included in the action plan. The Group Executive Director for Human Resources gave an update on his report. He had examined the reasons for turnover, average pay and recruitment to management roles. The report also gave information on the next steps and what would be followed up. HR was looking at exit interviews and how they could get more information about why people leave. The leavers questionnaire was sent to them to complete it but only about 15% completed it. Governors asked whether there was any reason for this but it was hard to enforce. Governors explained that in their experience, there was often an in-person interview and this might be a route.</p> <p>Governors asked about patterns and whether leavers were known to each other. Patterns were not obvious in any particular areas. Leavers had fallen and new starters had increased in the February to May period. The issue around salary differences was expected to narrow. Staff at the top of the scale would not move higher and this should decrease the gap to lower paid staff. The impact of senior management pay on the starting salary was dependent on the role that was being recruited to.</p> <p>Market supplements were often linked to legacy contracts rather than a payment made on recruitment. There were market supplements paid in a number of areas and they were monitored.</p> <p>Recruitment statistics had been analysed but this was an extract and the whole year of data needed to be looked at. Application to offer data showed that a higher percentage of black</p>

applicants were now being recruited. Annual data should be reviewed for the impact on different ethnic groups. The College was looking at different agencies and job boards and the demographics of applicants could be analysed and agencies selected to improve the diversity of applicants. Governors asked how many staff did not declare their ethnicity on the college system and it was around 19%.

The Committee thanked the GED Human Resources for his report.

STRATEGIC MATTERS **for discussion, decision or action**

6 Subcontracting and partnerships Report

The GED International and Curriculum Development gave an update with a reduction in adult subcontracting which would be discontinued in 24-25. The Orthodox Jewish Schools (OJs) were on track with quality with reports reviewed at CQS committee.

City Gateway was a one year arrangement which the ESFA had asked the college to take on. They would no longer continue to trade in 2024-25 as they did not have any further funding sources. Student numbers at the OJs would increase slightly to 439. AEB subcontracting had fallen to 230 and would be zero in 2024-25. Adult partnership work would continue with the existing contractors.

The CEO explained that it was now very small and the overall risk was very small. £2.1m for OJ and £780k for partnership. This was set against 16-18 funding which would be around £80m including BSix after the merger.

Governors asked if there was anything the college should be doing to support City Gateway. It was explained that the provider was given a clear pathway to sort out the provision. Their Traineeships had been of poor quality and they could not secure direct funding. The ESFA had agreed to fund it through NCC for one year and they had to improve quality monitoring. The organisation had not made any changes and there would not be any further support. In response to questions, it was explained that the students could come direct to NCC and they would be offered suitable training and support.

ACTION: The committee agreed to recommend the proposals to the Board for approval.

7 Finance Matters

7.1 Termly Management Accounts

There was a £2.3m operational surplus at Q3 which was projected before any fixed asset disposals and pension adjustments. This was a £600k uplift on Q2. The level of contribution had been increased with the 16-18 funding uplift and an additional £2m had been invested in pay, £4m (6.5%) in total. High needs had continued to grow with costs controls in place.

Apprenticeships had held up well with an increase on 22-23. The allocations for Multiply and the tuition fund (which was reduced by £400k) were delivered. This was a very good outturn. As noted in the report, there had been some underperformance in other areas. Governors asked if the position had been known earlier, would there have been more early expenditure. The CEO explained that cash from operations was helpful given that there was no borrowing. It was less than a 2% margin. Much of the work on the budget had been done before the grant allocation was increased for 16-18 provision. The additional grant gives a more realistic position given years of underfunding.

It was noted that it was an unusual position and it was further improved by the cumulative effect of cost control in the past. Element 3 was £8m for SEND which had to be paid by the LAs. There were risks but the year had been well managed. Commercial and fee income were all down on the year. The FD explained that each line was looked at individually and a plan was put in place, for example in HE, agents were now being used to recruit. It had been very hard to increase commercial income and decisions had to be made line by line. The £373k variance in non-pay related to the unbudgeted subcontracting costs for City Gateway.

Page 9 of the report set out £1.2m of predevelopment costs and covered options to write off the amount against the project. The spend on the Havering project had been made premerger and it would be important to take the auditors advice on writing off the sum.

Governors asked about non pay costs and whether there were any risks in reducing them further. Estates costs have been reduced to savings through procurement (waste and cleaning) and utilities costs have fallen through the year.

Governors reviewed the KPIs and cash days sat at 55. Governors asked about the variance. It was confirmed that it sat around 45 days per month. Between November and March, the High Needs funding from LAs started to be paid and this smoothed the income and increased the days. Timing between spend and payment for major capital works could vary. The plan was for a more conservative level of commercial income.

The committee discussed ESFA financial health and asked whether the executive was comfortable with the end year position. The current ratio was always hard as investment in fixed assets was high. EBITDA was pretty strong and borrowing was zero. The AOC view was that EBITDA was falling to around 6 across the sector and this was a good position.

The committee noted the management accounts and were pleased with the outcomes to date. The CEO confirmed that he did not think there were any items that would move the final year position significantly.

ACTION - The committee noted the management accounts.

7.2 Draft budget proposals 2024/25 and three year forecast

The Finance Director explained that the proposal was based on detailed planning with budget holders and the curriculum planning across the college. It was a standalone pre-merger budget with a proposed merger budget at the end of the report. It proposed a 3% pay increase which the board would be asked to approve as part of the overall budget and this had been reduced to 2% in years 2 and 3. There was a £1.3m operating surplus forecast and there was a provision to pay for systems changes to align BSix on merger.

There were questions about the £122m income and how much was at risk. The main core funding was pretty strong with the core coming from 16-18 funding based on last year's enrolment numbers. The other income sections were where there might be more risk. Governors asked whether the estimates were prudent for BSix and whether the 3% for pay would be enough. The CEO explained that the AOC had delayed the final decision until the STRB published and that was now unlikely to be before September due to the election. The 3% was affordable now but it was noted that this could change and the expectations was some colleges would be budgeting for 2.5% or less. Any increase in pay would need to be funded by the DFE.

The FD explained that creditors for more than one year of £60m related to capital grants that the College received on a deferred basis and that they would be released in line with the depreciation charge.

There would be savings to be made from systems change at BSix. There was reactive maintenance and support staff costs provisions as set out in the report. There was a question around quality which would be addressed with further support as needed but this would become clearer post-merger.

The formula changes reflected the changes in English and maths funding. NCC already delivered 3 hours of each with 3 English and 4 Maths required under the new condition of funding. There would be additional funding but costs would be much lower than elsewhere. The BSix loan would be paid back on merger and DFE had confirmed that there was no novation. Previously it would have been an overdraft but this was the only solution under the MPM guidance.

There was a discussion about HE growth and governors asked about the risk. A new agent had been signed with lots of due diligence checks. This was the normal model for recruiting

adult HE students. There had been push back with the HE partner on delivery. Funding for Foundation years was dropping by a third and this work would be delivered by NCC rather than Bath Spa.

Projections were slightly higher for Oxford. There was a delay in getting the tenants in and £70k would be added to the bottom line. There was more reactive maintenance to complete and the market was slightly against international study with currency changes.

Governors asked whether cash flow projections flattened over time. Funding was still increasing in April due to capital grants but income was now paid flat. Cashflow should stay around £11-12m. The drop was driven by major Capex spend, mainly for Ardleigh Green. The short term cash deposit limit might need to be increased if the balances held firm and this would come back to the committee for discussion, if it was needed

The push back around costs had been high but this should not impact on 2024-25. Governors asked about the changes to other education income and other income. There had been an increase of £300k for catering as this had been brought in house during the year. The £1m included language school growth with increases in both international fees and numbers. Governors commented that it would be helpful to have this broken down in more detail for monitoring in-year.

Governors asked about the Language school and the contribution to central costs. The 11% was around the sector norm and it would cover management costs. The central costs were not added to the budget. There was a discussion about the allocations and what impact they might have on the contribution.

Governors asked about the sum in the current year for BSix and whether this was what was in the due diligence. It would be helpful to see this at year end. There were additional costs in ending contracts early. BSix had been underclaiming some maths and English income which had an impact in the current year. It was agreed that the merger provision of £500k would be reported on and it would be released as needed.

Projections for 2026-27 showed that the current ratio would drop. There would be more investment in this period in building projects. It would be worked up in more detail over time as many of the costs were still unknown. The current ratio would continue to be monitored by the committee over time.

The committee agree to recommend the Budget to the Corporation and thanked the Finance team for their work.

ACTION – future reporting to show a break down on Other education income and Other income; reporting on the spend BSix merger provision

ACTION – The committee agreed to recommend the Budget to the Corporation for approval

7.3 Draft capital proposals 2024/25

The CEO explained that he was asking for approval of an envelope of funding. There was still work ongoing with Capex and it could be £0.5m lower at Corporation. The lift packages were in line with expectation. There was a contingency fund and there were some risks around decant at Ardleigh Green. There was a sum of £7.25m to be managed through Capex. The allocation would be against the capital grant received with some work at Ardleigh Green likely to move into the next academic year.

Governors asked for some further clarification around decant costs and total expenditure to be covered in the final paper for the Board meeting.

There was a discussion about the FE capital allocations and how this would be spent. This would include lifts, roof and flooring within the £4.5m estates budget. It could be spent over the next 2 financial years. There were historical grants to be spent that would be released as project spend was achieved. Governors asked about the process for allocation and if there were any other major work that was needed.

	<p>It was a long process and there were items such as replacing fire doors that could require a lot of spend. The process was driven by both estates and curriculum areas such as a 3 year lift replacement programme which was about to begin and remedial roofing work. The expectation was it would be a £7.75m approval and this would be presented for the Corporation.</p> <p>ACTION - The committee agreed to the proposed budget of c£7.75m with some additional information on decant costs to be included in the report to the Board</p> <p>7.4 Procurement</p> <p>The Head of Procurement, Davinia Wynne, had written the report. The plan was to retain the limits at this point. The paper reflected the impact of the increased limit. Project numbers were in line with before the increase due to increasing scale and cost. The Procurement act at the end of the year would lead to more change and there would be a report for F&GP at the end of the year. There would be changes around publication of contracts and increasing social value. There was a small change which the committee agreed around the use of a written contract.</p> <p>ACTION – the committee agreed a small change to the procedure. A report would be prepared for the committee for the November meeting.</p>
8	<p>Health and Safety</p> <p>8.1 Termly report</p> <p>This was a termly report. There was a point about the number of incidents to follow up with the Group Head Health and Safety.</p> <p>Governors asked about the KPIs for specialist inspections. The table was helpful to see the actions (para 1.6). It was confirmed that there was a wide variance in the type of actions that needed to be followed up. This would be monitored over time. Governors commented that it would be helpful to know which were critical and how long they had been outstanding. It was noted that compliance had significantly improved.</p> <p>There committee noted the incidence of asbestos. The CEO explained that the contractor had not done the correct testing. Insurers had been contacted and all those who needed to be notified had been contacted.</p> <p>ACTION – the changes requested to reporting on specialist inspections would be fed back to the Group Head and the outstanding actions would be followed up,</p> <p>8.2 Health and Safety policy</p> <p>The changes were summarised on the front page. The wording around the monitoring needed to be changed in 5.1. The committee approved the policy, with this change.</p> <p>ACTION – The committee approved to policy for final sign off by the Corporation.</p>
9	<p>Estates update</p> <p>The minutes of the Property committee had been shared to give members an understanding of progress with the major capital projects. There would be a joint meeting of the two committees in the first half of the autumn term.</p> <p>The Wingleye Lane contractor had now made changes to both price and delivery for the construction phase of the build. The Property committee had discussed the risks and had agreed to go out again at stage 2 as the prices now being quoted were outside the framework. The Group Director Capital Projects was confident that there would be a response. There was no comeback with the contractor as it was a two stage contract. The market had not calmed down and they had increased their price. The timing would need to be resolved but the risk around use of grant had been minimised by DFE.</p> <p>Ardleigh Green had been discussed earlier in the meeting. The GLA had yet to release any capital even though the car parking had been completed. Hackney was a large project and</p>

	<p>there would be work to do both in this committee and at Board level. Legal advice was needed given the complexity of this project and a contract was now in place to deliver this.</p> <p>There was a provisional joint meeting on 22 October but an earlier date could be put in the diary.</p> <p>The CEO updated the committee on Poplar. There had been a visit to look at a property which might be a suitable building for a new college in Canary Wharf. It was 80% empty and this was all at an early stage of development.</p> <p>ACTION – the Director of Governance to liaise with the Group Director Capital Projects about the timing of the joint committee meeting</p>
10	<p>Policies for approval</p> <p>10.1 Supply Chain Fees and Charging Policy</p> <p>ACTION - The committee agreed to recommend the policy for approval by the Corporation.</p> <p>10.2 Financial Regulations</p> <p>The regulations had been updated in line the new college financial handbook. A reserves policy was being drafted which would come to a future meeting of the committee.</p> <p>"Over a three year period" should this be added to 14.</p> <p>Bank cheque signing – this should be checked to ensure that this is consistent with the delegations and for no more than £100k. Governors asked that this was checked with the handbook.</p> <p>ACTION – the committee agreed to recommend the regulations for approval by the Corporation, subject to the changes outline above.</p>
11	<p>Terms of reference and committee self-assessment</p> <p>The terms of reference were agreed and member were reminded to complete the committee self-assessment for return by 12 July.</p> <p>ACTION – the committee agreed to recommend the terms of reference to the Corporation for approval. All committee members to complete the self assessment review</p>
12	<p>Monitoring of Risk – F&GP committee</p> <p>The committee agreed that the risks had been considered and monitored through the regular reports it received. They had been given adequate consideration. They had not changed the risks themselves but the mitigations were in place.</p> <p>ACTION – the monitoring to risk to be reported to audit committee</p>
13	<p>Any Other Business</p> <p>There were no items to report.</p>
14	<p>Date of Next meeting</p> <p>The next meeting would take place on Tuesday 22 October 2024.</p> <p>The Chair thanked everyone for their input.</p>

