MINUTES

PART 1 MINUTES

Directorate: **Governance**

Minutes of: **Resources Committee**

Date: **29 November 2017** **Time: 11.15**

Venue: **Executive Meeting Room, Uxbridge Campus**

Present:	Alasdair MacLeod	Governor (Chair)
	Laraine Smith	Group Principal & CEO
	Steve Owen	Governor
For items 1,2 and 3 only:		
	Mike Cox	Governor *(HCUC Audit Committee Chair)*
	Nasim Khan	Governor *(HCUC Audit Committee member)*
	Ketan Sheth	Governor *(HCUC Audit Committee member)*
Apologies:	Sally Westwood	Governor
In attendance:	Imtiaz Aziz	HR Director *(Items 4 to 12 only)*
	Pat Carvalho	Principal and Deputy CEO
	Andrew Miller	Exec Director Corporate Services *(Observer from item 11 onwards)*
	Vikash Patel	Financial Controller
	Sara Sands	Group Director Finance & Resource Planning
	Tracy Reeve	Clerk to the Corporation
For items 1, 2 and 3 only:		
	Nick Simkins	Moore Stephens LLP *(external auditors Uxbridge College)*
	Ben Stapleton	KPMG LLP *(external auditors Harrow College)*
	George Churcher (GC)	KPMG LLP *(funding auditors HCUC)*
	Alex Hanson (AH)	KPMG LLP *(external auditors Harrow College)*
	Ben Stapleton (BS)	KPMG LLP *(external auditors Harrow College)*
	Laura Kneebone (LK)	KPMG LLP *(external auditors Harrow College)*
	Kath Rangeley (KR)	Director of Funding & Information Services

---

The Resources Committee meeting was preceded by a joint meeting of the HCUC Resources Committee and the HCUC Audit Committee; this commenced at 10.15am.

ITEMS FOR DECISION

1. To RECEIVE the Report & Financial Statements and associated reports for the period ended 31 July 2017 for Uxbridge College

i) Financial Statements

The Vice Principal Finance and Corporate Services (VP F&CS) introduced the draft reports and financial statements for the period ended 31 July 2017 and highlighted that the Report and Financial Statements for both Uxbridge College and Harrow College would be approved by the Resources Committee and then recommended to the full HCUC Corporation for approval.

The following key points were highlighted:

UXBRIDGE COLLEGE

T +44 (0)1895 853333 F +44 (0)1865 853337 www.uxbridgecollege.ac.uk

- The operating surplus for the year was £892,000 (compared with £491,000 in 2015/16).
- Once the impact of the FRS17 pension gain was applied this resulted in a surplus 'Total Comprehensive Income' of £2.631m (compared with a deficit of £1.89m in the prior year).
- The balance on the income and expenditure account (excluding pension reserve) now stood at £43.791m (compared with a figure of £41.890m in 2015/16).
- The College had accumulated reserves of £36.772m, net assets of £36.992m and cash balances of £12.152m.
- The LGPS pension liability was £11.576m compared with £12.430m last year. Members once again expressed concern that this figure was completely outside the control of the College but the meeting was reminded that the pension liability (FRS17) was not included by the SFA when assessing the financial health of colleges.

The meeting went through the Income and Expenditure account and the Notes to the Financial Statements and Balance Sheet in detail. The meeting noted that in 2016/17 the College delivered activity that produced £26,252,000 in Agency main allocation funding (compared with £26,755,000 in 2015/16). The meeting was reminded that the College had not achieved its 16-18 learner numbers target (which increased by 240 FTE due to over-achievement in 2015/16). The 19+ adult single budget was achieved but fell short of the 19+ Work Based Learning (WBL) Target by £976,000 and short against the 16-18 WBL target by £30,000; the meeting was reminded of the issue with a sub-contractor which contributed to this shortfall. The total Agency funding was noted as being at 83.05% of income (84.3% in prior year). Total income had increased from £30.793m in 2015/16 to £32.140m in 2016/17; expenditure was noted as increasing from £30.301m to £31.248m (of this £21.026m related to staff costs compared with £19.722m in the prior year). The meeting noted the detail of the fixed asset additions during the year which amounted to £1.697m; of which £527,000 was on land and buildings and £1.17m was on equipment. The meeting noted the strong financial performance indicators for the 2016/17 year which included a very strong cash-flow as well as the following:

- Operating surplus of 2.8% of income (£892,000)
- 140 cash days in hand (120 in prior year 2015/16)
- Current ratio (assets less liabilities) of 2.7 (2.05 in 2015/16)
- Available reserves at 138% of income
- EBITDA (earnings before interest, tax, depreciation and amortisation) at 16.51% which was up on the prior year figure of 14.53%.
- 66.2% staff costs as a percentage of income including agency staff (64.8% in prior year). This figure reduced to 64.3% when pension cost was excluded (63.5% prior year).
- Premises costs £70.97 per square metre (£74.35 in 2015/16)

The notes to the accounts were considered in detail by the meeting. ***AMcL asked for an amendment to be made to the list of Governors 2016/17 (page 11 and 12); he was also a member of the Remuneration Committee.*** Members sought additional clarity on the increased staff costs and were reminded of the 1% pay increase, pension increases and also noted that there had been an accrual of £90,000 for holiday pay. Governors noted that the increased staff costs for learning support and English and maths were offset by additional income. The Chair sought clarity around the issue of restricted and unrestricted income; it was highlighted in Harrow College financial statements but not in the Uxbridge ones. NS confirmed that where the figure was a 'nil' value it did not need to be stated separately. BS confirmed that KPMG had followed the 'Casterbridge' model of accounting and so used the different terms as Harrow College had some restricted reserves. **SS**

Note 12 - The Chair sought clarity on why depreciation was 10 years for motor vehicles; this seemed too long. SS confirmed that the College did not own any motor vehicles but this figure related to plant and equipment so was valid.

Note 24 – The meeting considered the detailed issues around the pension obligations and the decrease in the FRS17 pension liability was noted. The meeting was assured that the actuarial assumptions had been challenged and verified against sector norms during the audit.

UXBRIDGE COLLEGE

T +44 (0)1895 853333 F +44 (0)1865 853337 www.uxbridgecollege.ac.uk

The meeting considered and noted the Statement of Corporate Governance and Internal Control and the assessment of the College as a 'going concern'. It was noted that the other senior members of the SMT at Uxbridge College had contributed to the narrative of the Members Report. The Chair sought, and was given, confirmation that the external auditors had done their own 'controls testing' to validate the audit process. The meeting commended the results and agreed that the College was in a position to meet current and future economic challenges from a position of relative strength when compared with many other FE Colleges. It was agreed that the College's financial objective 'To maintain the strong financial profile needed to ensure a secure future', had been fully achieved.

ii) *<u>SFA Finance Record</u>*

The meeting also noted the SFA Finance Record which would be submitted on behalf of the College; this confirmed a financial health grade of Outstanding for 2016/17.

iii) *<u>July 2017 Management Accounts</u>*

The restated Management Accounts for 31 July 2017 were also noted by the meeting and the adjustments arising from the preparation and audit of the Financial Statements. It was noted that adjustments totaling £32,000 had been made against the income and expenditure.

The 2016/17 Financial Statements, SFA Finance Record and July 2017 Management Accounts for the former Uxbridge College were NOTED and RECEIVED, (they would be recommended to the HCUC Corporation for approval by the Resources Committee).

iv) *<u>Audit Report and Management Letter of the External Auditors, Moore Stephens, following their audit of the Uxbridge College Financial Statements for 2016/17, for APPROVAL & recommendation to Corporation.</u>*

Moore Stephens presented the Management Report which acknowledged the very strong financial outturn and cash position for Uxbridge College. The following areas were highlighted:

- Clean unqualified opinion.
- No internal control recommendations identified.

NS informed the meeting that once again the audit had gone very smoothly from their perspective; the flow of information from management had been accurate and timely. SS and VP concurred that the process had gone well from the College management perspective. The meeting considered the Management Report in detail.

The meeting was pleased to note that the audit conclusion on all qualitative aspects considered was clean. NS also highlighted the unmodified regularity audit opinion. The meeting went onto consider the significant audit risks that had been identified by Moore Stephens and detailed in their audit planning letter. The risks were noted as follows: revenue recognition; defined benefit pension scheme; and risk of management override; staff costs; Regularity review; and preparations for merger. Governors noted that Moore Stephens conclusion against each of these risks was clean and that there were no issues identified which needed to be reported to the Audit Committee. The meeting also noted the assurances given around the risk of fraud and independence. Audit Committee members and attendees were pleased to note that for the sixth consecutive year there had been no recommendations for improvements made by the financial statements auditors. The meeting also noted that there were no unadjusted misstatements to report; there had been a presentational adjustment of £167,000.

NS thanked the College Finance Team for their support and cooperation throughout the annual audit which had been recognised in the Management Letter; the College preparation work had been very thorough. It was noted that the lack of recommendations highlighted a positive control environment at Uxbridge College. The Audit Committee members commended the College finance team and Moore Stephens for another positive result.

The Audit Report and Management Letter of the External Auditors, Moore Stephens, for

UXBRIDGE COLLEGE

T +44 (0)1895 853333 F +44 (0)1865 853337 www.uxbridgecollege.ac.uk

Uxbridge College 2016/17 was APPROVED and would be taken to the HCUC Corporation for approval (12th December 2017).

It was AGREED that Moore Stephens should change the Management Letter to be addressed to the Corporation of HCUC. **NS**

v) *Letter of Representation*

The meeting noted the draft Letter of Representation at Appendix 2 to the Management Report; this had a standard format for all FE Colleges which was required by the Joint Audit Code of Practice; it would not include any narrative specific to Uxbridge College.

The Letter of Representation for Uxbridge College would be taken for approval to the HCUC Corporation (12/12/17) before being signed by the Corporation Chair on behalf of the Corporation, and the Group Principal/ CEO as Chief Accounting Officer of HCUC. **SS**

vi) *Funding Assurance Report completed by KPMG*

The meeting welcomed KR to the meeting to present the report along with the Funding Auditors from KPMG. The meeting considered the report from KPMG which had been commissioned by the College to replicate work which was commissioned by the Skills Funding Agency (SFA) within the annual national sample of Final Funding Returns. This was to enable the College to gain its own assurance over FE income. The KPMG report had examined the College's final ILR for 2016/17, dated 20 September 2017 using the Skills Funding Agency testing programme. Substantive testing was undertaken on a sample of: 30 EFA funded 16-18 learners and 30 SFA funded learners (comprised of 16-18 Apprenticeship, Adult Apprenticeships, Adult Education Budget, Classroom-based and Traineeships); and 10 Advanced Learner Loan learners. There had also been a review of the College's Provider Data Self-Assessment Toolkit (PDSAT) reports to include targeted sample testing to mirror the current SFA Audit format.

The meeting was pleased to note the five areas of good practice that had been identified in the report and the fact that no high or medium priority recommendations had been made. The two low priority 'housekeeping' recommendations were noted as being in relation to: ESOL assessment evidence and Adult Learner Loans (first Level 3). KR confirmed that both of the housekeeping suggestions had been agreed for adoption by College management to improve efficiency and effectiveness; the Principal highlighted that one of the errors (on the DSAT testing) had been identified by the College team in advance of the KPMG audit and flagged with the SFA. The 2 recommendations and their implementation were considered in more detail by the meeting.

The Chair asked that KR feedback congratulations to her team on the excellent outcome of the audit.

The Funding Assurance Report of, KPMG, for Uxbridge College 2016/17 was RECEIVED and APPROVED and would be taken to the HCUC Corporation on 12th December 2017.

2. To RECEIVE the Report & Financial Statements and associated reports for the period ended 31 July 2017 for Harrow College

i) *Financial Statements*

The following key points were highlighted:

- The operating deficit for the year was £194,000 (compared with a surplus of £391,000 in 2015/16) before the £1.868m gain on disposal of the Austen Building. This deficit included pension charges of £727,000.
- Overall surplus for the year was £1.674m (compared to prior year figure of £1.895m when asset disposal had realised £1.504m).
- Once the impact of the FRS17 pension surplus was applied this resulted in a final Total Comprehensive Income' surplus of £5.127m (compared with a surplus of £315,000 in the prior year).
- The College had accumulated net assets of £14.838m (£9.711m in prior year) and cash

balances of £6.107m (£5.344m in prior year).

- The LGPS pension liability was £7.586m compared with £10.312m last year.

The meeting went through the Income and Expenditure account and the Notes to the Financial Statements and Balance Sheet in detail. The meeting noted that in 2016/17 the College delivered activity that produced £19.593m income £19.733m in prior year); this was £108,000 below budget primarily due to underperformance on SFA and apprenticeship delivery. This had been partly offset by higher than anticipated income in relation to High Needs learners. The total Agency funding was noted as being at 81.09% of income (same as in the prior year). Expenditure was noted as increasing from £19.342m to £19.787m (of this £13.693m related to staff costs compared with £12.8m in the prior year). The meeting noted the detail of the fixed asset additions during the year which amounted to £3.579m; of which £3.167m was on assets in construction at year-end. The meeting noted the financial performance indicators for the 2016/17 year:

- Adjusted operating surplus of 8.74% of income (including gain on disposal of asset).
- 116 cash days in hand (100 in prior year 2015/16)
- Current ratio (assets less liabilities) of 1.84 (2.00 in 2015/16)
- Available reserves at 14.36% of income
- EBITDA at 5.6% which was down on the prior year figure of 8.43%%.
- 71.1% staff costs as a percentage of income including agency staff (66.27% in prior year). This figure reduced to 68.6% when pension cost was excluded (64.6% prior year).
- Premises costs £85.46 per square metre (£90.24 in 2015/16)

Governors sought additional clarity around the increased staff costs as there had been no pay increase awarded during the year. PC informed the meeting that incremental drift up the wide Harrow College pay-scales had contributed to the increase. The increase in agency staffing was largely due to the additional work with High Needs learners; this element of additional staffing cost had been offset by the associated income.
The detailed notes to the accounts were considered in detail by the meeting.

Members' Report (page 9): members suggested that the narrative should be amended to include a reference to Harrow College now being part of HCUC post-merger. **BS/SS**

Members' Report (page 13): The Chair asked for an addition to the first line on this page '…through the College internet site<u>, and other methods of communication'.</u> **BS/SS**

Balance Sheet: The meeting asked KPMG to add a note to the accounts explaining the change in Harrow College reserves compared with the prior year. The Chair also asked for a presentational change on the Balance Sheet (page 32): the line under Pension Reserve should be deleted. **BS**

Members' Report (page 22): The Chair asked for a review of the wording around 'Going Concern' as he felt it read in a negative way. The meeting agreed that this should be reviewed and should reflect the fact that teaching and the use of all assets at Harrow College would carry on post-merger. **BS/SS**

The meeting considered and noted the Statement of Corporate Governance and Internal Control and the assessment of the College as a 'going concern'. It was noted that as with the Uxbridge College Report the senior members of the SMT had contributed to the narrative of the Members Report. It was agreed that the College's financial objectives 'To be a viable and efficient College. To meet specific financial KPIs, including to achieve financial health rating of 'good'', had been partially achieved.

ii) *<u>SFA Finance Record</u>*

The meeting also noted the SFA Finance Record which would be submitted on behalf of the College; this confirmed a financial health grade of Good for 2016/17.

iii) *<u>July 2017 Management Accounts</u>*

The restated Management Accounts for 31 July 2017 were also noted by the meeting and the

UXBRIDGE COLLEGE

T +44 (0)1895 853333 F +44 (0)1865 853337 www.uxbridgecollege.ac.uk

adjustments arising from the preparation and audit of the Financial Statements.
The 2016/17 Financial Statements, SFA Finance Record and July 2017 Management Accounts for the former Harrow College were NOTED and RECEIVED, (they would be recommended to the HCUC Corporation for approval by the Resources Committee).

AMcL

iv) *Audit Report and Management Letter of the External Auditors, KPMG, following their audit of the Harrow College Financial Statements for 2016/17, for APPROVAL & recommendation to Corporation.*

KPMG presented the Management Report and the following areas were highlighted:

- Clean unqualified opinion.
- No internal control recommendations identified.

KPMG (BS) informed the meeting that the audit had gone smoothly from their perspective; following the merger on 1st August 2017 and the new HCUC Finance Team had been very well prepared to undertake the Harrow external audit. The meeting considered the Management Report in detail. The meeting went onto consider the significant audit risks that had been identified by Moore Stephens and detailed in their audit planning letter. The risks were noted as follows: revenue recognition; management override of controls; sale of Austen Building and car park; and deferred capital grant and related spend. The meeting noted the issue around a likely clawback of funding by the SFA (£550,000 in relation to issues identified by the KPMG Funding Audit which was commissioned by HCUC management, see below for details). The one audit misstatement that was in relation to unspent funds for Free School Meals in 2015/16 (£170,000 was noted by the meeting). Governors were given assurance that this amount had now been reversed out of income and held as a creditor pending potential repayment to the ESFA. The meeting also discussed the issue which KPMG had highlighted in relation to £13.6m of deferred capital grants being held on the balance sheet; this was not material but good practice suggested that this should not be carried on the balance sheet. The meeting also noted the narrative around the other areas of audit focus with specific reference to the merger; KPMG had considered disclosure of loans and borrowing, and VAT crystallisation. The Going Concern statement was noted and approved; both for Harrow College and the newly merged HCUC Group. The Appendix 3 to the KPMG Management Report was commended as useful by the meeting; this outlined current developments and issues within the Further Education sector. The issues highlighted were: the OECD Report 'Education at a Glance'; new corporate criminal offences after the introduction of the Criminal Finances Act in September 2017; the new General Data Protection Regulation which would come into force on 25th May 2018; and the requirement for Gender Pay Gap Reporting. The clean opinion around the Regularity audit was highlighted by KPMG.
The Audit Report and Management Letter of the External Auditors, KPMG, for Harrow College 2016/17 was APPROVED and would be taken to the Corporation for approval (12th December 2017).
It was AGREED that KPMG should change the Management Letter to be addressed to the Corporation of HCUC.

BS

v) *Letter of Representation*

The meeting noted the draft letter of representation which KPMG had prepared.
The Letter of Representation for Harrow College would be taken for approval to the HCUC Corporation (12/12/17) before being signed by the Corporation Chair on behalf of the Corporation, and the Group Principal/ CEO as Chief Accounting Officer of HCUC.

vi) *Funding Assurance Report completed by KPMG*

The KPMG report had examined the College's final ILR for 2016/17, dated 19 September 2017 using the Skills Funding Agency testing programme. Substantive testing was undertaken on a sample of: 30 EFA funded 16-18 learners and 30 SFA funded learners (comprised of 16-18 Apprenticeship, Adult Apprenticeships, Adult Education Budget, Classroom-based and

UXBRIDGE COLLEGE

T +44 (0)1895 853333 F +44 (0)1865 853337 www.uxbridgecollege.ac.uk

Traineeships); and 13 Advanced Learner Loan learners. There had also been a review of the College's Provider Data Self-Assessment Toolkit (PDSAT) reports to include targeted sample testing to mirror the current SFA Audit format. The meeting noted that the preparedness for the funding audit had been markedly less good at Harrow College compared with Uxbridge; files and evidence were missing and the MIS team were less responsive. GC asserted that the very strong control environment in place at Uxbridge was clearly missing at Harrow; this included regular use of the DSAT plus an additional layer of compliance processes written by Uxbridge MIS staff.

The meeting was very disappointed to note the 25 recommendations in the report, 12 of which were 'high' priority, 8 were 'medium' and 5 were 'low'. It was noted that all recommendations had been adopted by HCUC management. KPMG (GC) clarified that if this had been an SFA funding audit the recommendations would have been condensed and there would probably have been 5 or 6 'high' priority recommendations. However, the decision was taken with management to keep all of the recommendations separate in order to provide maximum transparency for the College and to enable a clear remedial action plan to be drawn up. LS expressed her concern at the level of the errors identified and highlighted the likely claw-back after a funding reduction in the ILR for 2016/17 of circa £410,000. The meeting noted that HC had been subject to an SFA Funding audit during the prior year and HC internal auditors TIAA had also audited the funding at HC during January 2017; neither of these audits identified any of the issues raised by KPMG. The meeting considered the recommendations in detail and noted the serious issues that had been raised. Governors sought, and were given, assurance that the new HCUC Director of Funding & Information Services (previously MIS Director at Uxbridge College) had already started to implement a remedial action plan and to put revised processes in place to ensure that similar errors on the Harrow College ILR did not occur during 2017/18. KR informed the meeting that the first priority was a full curriculum review to ensure that learners were not on the wrong qualifications and also to tackle the issues raised around level 3 learners. Governors were assured that the next step would then be to move onto ensuring full register compliance. KR gave the meeting assurance that all the recommendations would have been implemented by term 2 of the 2017.18 academic year. Governors highlighted that this negative report should also be seen as an opportunity to ensure that Harrow College was taking on good practice recommendations. The meeting sought, and was given, full assurance that the action plan would immediately focus on the high rated risks in relation to income for 2017/18 in order to ensure predicted income was secure across the whole of the HCIUC group. Governors sought, and were given, confirmation that all of the funding audit recommendations would be included on the Register of Outstanding audit recommendations and be brought to every meeting of the Audit Committee to demonstrate progress action the action plan.
The Resources Committee members asked that the Resources Committee be kept informed of any ongoing risks against funding for 2017/18 in relation to the recommendations of the Funding Audit. **SS**
It was noted that KPMG had already spoken to KR to agree the funding audit process for 2017/18; this was likely to involve some early testing in January 2018 in order to ascertain that improvements were being made in the Harrow College control framework before the year-end. The meeting agreed that this was a good idea as it would provide additional assurance for management and Governors before the year-end.
The Funding Assurance Report of, KPMG, for Harrow College 2016/17 was RECEIVED and APPROVED and would be taken to the HCUC Corporation on 12th December 2017.

3. Any Fraud/ Corruption issues 2017/18.
It was noted that there were no known attempted fraud or corruption issues to report year-to-date. SO highlighted the increased incidences of fraud being perpetrated throughout the sector and the need for staff to stay vigilant. The meeting discussed the Action Fraud website.
The report was NOTED

The joint meeting of the HCUC Resources and Audit Committee closed at 11.10am

UXBRIDGE COLLEGE

T +44 (0)1895 853333 F +44 (0)1865 853337 www.uxbridgecollege.ac.uk

and the HCUC Resources Committee started immediately.

4. Apologies for absence
Apologies had been received from Sally Westwood.

5. Notification of any urgent items members may wish to raise under Any Other Business
There was no other business.

6. Notification of Interests Members may wish to declare relating to any item
No interests were notified.

7. Minutes of the Resources Committee meeting held on 21 September 2017
The minutes were approved and signed by the Chair.

8. Matters arising from the minutes of the Resources Committee meeting held on 21 September 2017.
There were no matters arising that were not already covered by the agenda.

9. Higher Education (HE) Fees for 2018/19
The meeting noted that in order to comply with the Consumer Rights Act 2015 and guidance issued by the Competition and Markets Authority (CMA) the College was required to publish the level of HE fees in November for the following academic year. This was to ensure that information was transparent and readily available to students in advance of them accepting an HE place. SS confirmed that the HE Fees policy would be released in early 2018 and would outline the terms and conditions of all HCUC fees. The meeting noted that the proposed HE fees for 2018/19 had been calculated based on a course costing model with inflation applied at the following rates: 5% for staff costs and 5% for tuition fees. It was confirmed that all fees for second year students would be maintained at the same level as the first year so only first year HE learners and those undertaking 1 year courses would be subject to an increase. Governors sought, and were given, confirmation that these fees were funded through learners taking out a loan with the Student Loan Company. The meeting noted that delivery methods for HE at Harrow were different to Uxbridge and fees were not currently aligned. Members were assured that a thorough curriculum review of HE provision across HCUC would be undertaken and courses would only be run with the minimum number of 10 learners enrolled; the aim was to produce a 40% margin on any new HE courses introduced.

The schedule of HE Fees 2018/19 was APPROVED to be based on a course costing model with inflation applied at 5% for staff costs and tuition fees. These would be RECOMMENDED to the Corporation for approval (12th December 2017).

10. Bad-debt write-off Harrow College
The meeting noted a report which sought the Resources Committee approval for the write-off of £14,950 bad debts with respect to Harrow College during the financial year 2016/17. Members were reminded that the Financial Regulations for HCUC (Uxbridge College) stipulated that the Finance Committee should retain oversight and approval for the write-off of bad debts in excess of £5,000. SS confirmed that a prudent view of the outstanding debts at Harrow College was taken towards the year end and HCUC had provided for the debts and proposed to write them off at the period ending July 2017.

The meeting noted that the debts ranged in value from £10 to £3,600 and related mainly to unpaid student debt through fees and instalments. The meeting noted the breakdown of the £14,950 total: of the 39 debts all but one related to students, with 31 of these at less than £500 each

(totaling £3,400); and 7 between £500 and £3,600 (totaling £11,450). There was one debt with a company of less than £100. It was noted that some of the debts had been passed to Harrow College's online debt collectors, whilst other students had already paid or made arrangements to pay by instalments, so it was expected that the final total write off would be less than £14,950.
The bad debt write-off of £14,950 for Harrow College 2016/17 was APPROVED.

11. Post-Merger Action Plan: HR issues

The meeting considered an update on the 'RAG' rated Post Merger Action Plan (PMAP) which detailed items relevant to the Resources Committee and a report from the CEO/ Group Principal (LS) which outlined two issue in relation to Human Resources within the new HCUC Group. The discussions and decisions are recorded in the Part 2 'confidential' minutes of this meeting, at minute 21 on page 17.

12. Human Resources Update

The HR Director presented the standing Human Resources update report to the meeting.

HR Data Dashboard

The meeting commended the new dashboard format which reported on the following key HR metrics for 2017/18 year-to-date: staff headcount and FTE by College; staff turnover; recruitment activity; absence rate; Equality data of the HCUC workforce; age profile data; performance management and appraisal completion data; and a Prevent update (in relation to completion of training). **Governors liked the graphical presentation but the CEO/ Group Principal asked for the precise figures supporting the graphs to be included in the text of future HR Reports.** The meeting sought confirmation on why the Prevent Training completion figure was not at 100% for Harrow (as it was for Uxbridge). It was noted that Harrow starters were sent a link to complete the training but Uxbridge College new starters were made to complete the training onsite during their induction. The meeting noted that from January 2018 both Colleges would expect new starters to have completed online training in Safeguarding, Prevent and Equality & Diversity before their first day of service; if this was not done they would be made to do it in College on their first day of service. Governors were given assurance that the Prevent training completion figure would be at 100% across HCUC for the next Resources committee meeting (March 2018). The Chair of Resources Committee noted the AoC benchmark data provided for staff turnover and **asked the HR Director to investigate whether the same BM information was available on a London basis.** The meeting noted the difference in age profiles between Uxbridge and Harrow; with UC having a much younger age profile; Governors noted that there were 34 teaching staff at UC currently undertaking teacher training.

Pay Assimilation

The meeting noted the detailed action plan in relation to pay assimilation, as discussed earlier in the meeting. The RAG rating against each of the elements was noted to clarify progress made.

HCUC Policy Updates

The meeting noted that the HR department had now updated a number of key HR policies so that there was a consistent approach across the two colleges within the HCUC Group. Governors sought, and were given, assurance that specialist legal advice had been sought where appropriate and that collective consultation with the recognised trade unions had taken place. The meeting noted that the consultation process was now complete and the trade unions had not raised any issues about the proposed policy updates. The detailed policies were considered by the meeting as follows.

Disciplinary & Capability Policy: The meeting noted that the decision had been taken to combine the two policies as the main procedural steps were the same. The updated policy now made a clear distinction between discipline and capability. A pre-suspension stage had been introduced;

this was 5 days' special leave to enable managers to gather evidence and evaluate before deciding if suspension was appropriate. The HR Director informed Governors that the revised policy was supported by a number of advice notes which were aimed at ensuring consistency of practice across the two colleges. LS highlighted that a specific advice note was included to reflect the practice at UC with regards to lesson observations.

Grievance Procedure: The meeting noted that the new procedure moved the focus of grievance away from disputes to focus on the resolution; the procedural steps were consistent with both HC and UC grievance procedures. With the shift to resolution, HR would be given the responsibility to determine if a grievance was valid.

Sickness Procedure: This combined HCUC procedure was noted as a combination of the HC and UC policies, reflecting the practices at both colleges. The procedure had been split into two section to make it easier to use: section 1, notification of sickness absence and College sick pay; and, section 2, management of sickness absence.

Whistleblowing Policy: The meeting noted that the UC policy in relation to the Public Interest Disclosure Act (PIDA) had been adopted as this contained all the elements of the HC policy and was more detailed. Organisational structural changes for HCUC had been incorporated.

Redundancy Policy: Governors were assured that the new policy complied with the statutory provisions. Greater flexibility had been introduced with regards to consultation and selection criteria, reflecting the practices in the two colleges.
The revised HCUC Policies as outlined above were APPROVED as presented.

Staff Focus Group Feedback
Lecturing Staff – UC 1st November 2017 and HC 7th November
The HR Director (IA) presented a report which gave the meeting detailed feedback from the recent staff focus group which had been held at each of the Colleges for lecturers. The meeting noted the 14 questions asked which covered the following subjects: time management; communication; lesson observations; teaching and learning sessions/ T&L Hour; maths and English delivery; Ofsted inspection; student attendance and punctuality; people management; career development; staff training; E-learning; ProSolution; IT Resources; Areas for Improvement (AFIs); improving the quality of TL&A; and staff experience post-merger. It was noted that HC had not undertaken formal staff focus groups in this way before. IA assured the meeting that his previous skepticism of the value of this exercise had now been reversed, he now saw it as a very useful exercise. The Chair of Resources Committee asserted the need to make Link Governors aware of the AFIs for their link areas. The meeting discussed the different responses to the question about post-merger experience between the two colleges; the meeting agreed that there was an ongoing need to be mindful and sensitive to Harrow College staff who had perceived the merger as a takeover. The meeting was reminded that Staff Focus Groups would be held on a termly basis at each of the two colleges; staff would continue to be asked for specific feedback on their experience concerning the merger.
The Human Resources Report was RECEIVED.
[The HR Director left the meeting.]

13. HCUC Management Accounts for 1st Quarter ending 31st October 2017

An underlying operating surplus for the period ending 31st October 2017 of £3,338,000 compared to a budgeted surplus of £3,110,000 giving a favourable variance of £228,000. The significant variances were highlighted as follows:

- Income of £14.708m compared with a budget of £15.470m giving an adverse variance of £762,000.
- Funding Body Grants showing an adverse variance of £197,000 compared to the budget of £11.283m. Within this, major variances were noted as: an adverse variance of £92,000 in 16-18 apprenticeship funding; and £54,000 in 19+ apprenticeships. Areas where delivery

was particularly lower for both ages were noted as Business Base at HC and Engineering TI at UC. Computing and IT at Uxbridge was also lower for 16-18 apprenticeships. The £50,000 variance on ESFA Bursary income was noted as being in line with lower expenditure which had been later than planned.

- Tuition Fees and Education Contracts Income of £3.146m compared to budget of £3.727m, (adverse variance of £580,000). Within this major variances were noted as: an adverse variance of £37,000 for HE fees with lower numbers of Sport learners at UC and Health and Social Care at HC; an adverse variance of £22,000 in HE franchising; an adverse variance of £174,000 in FE fees due to lower numbers of fee paying students than planned at HC; an adverse variance of £76,000 in International income due to a lower number of overseas students than forecast; an adverse variance of £104,000 against commercial income due to cancelled courses and under-enrolment.
  Members sought, and were given assurance that the issues around the Tier 4 licence at UC had now been fully resolved but the meeting was reminded that the error at UKBA had affected the College during a crucial period of overseas enrolment.
- Expenditure was showing a favourable variance of £990,000 against the budget of £12.360m. Staff of £7.901m compared to budget of £8.470m, (favourable variance of £569,000 due to vacant posts within Academic and Support staff). Members were reminded that the budget assumed all posts would be filled for the whole year.
- Other Operating Expenses: a favourable variance of £421,000 against the budget of £3.889m. This was noted as mainly being due to timing issues with later expenditure on exams and materials than forecast.
- Balance Sheet remained strong with a cash balance of £20.248m.
- All ratios were healthy: cash days in hand at 150.6 (target of 104.14); and current ratio at 2.17 (target 2.25).
- The College was currently complying with all loan covenants.

The meeting considered and commended the new Executive Summary front sheet to the accounts; this highlighted the important information for Resources Committee. SO sought clarification on what the category of ‘Corporate’ included; it was noted as including the back-office operational elements of HCUC e.g. HR, Finance, MIS and Funding.

Governors asked that an additional column detailing the year-to-date budget, should be added to the commentary pages of the management accounts; this would give the variance figure more context.

The HCUC Management Accounts for the first quarter to 31st October 2017 were RECEIVED

14. Merger Costs Update

SS presented a summary of the actual costs to date compared with the forecast costs of the merger which had been included in the two-college combined forecast 2016/17 and financial plan 2017/18. The actual cost of the merger to date was noted as £694,762; against the budget of £917,000 (favourable variance of £222,238). The meeting noted new expenditure of £20,000 for the transfer of records from the harrow to Hillingdon pension fund. There had also been £5,400 incurred in legal costs in relation to property work at HC.

NOTED

15. Update on 2017/18 HCUC Budget

The meeting was reminded that the budget for HCUC was prepared and approved by the Uxbridge Governing Body in July 2017. In addition to the budget for 2017/18, a further 2 years were included as forecast which was then submitted to the Education and Skills Funding Agency (ESFA) and used as the main budget for this first year post-merger. The meeting noted the power-point presentation given to the Uxbridge College Governing Body in July 2017 which outlined the detail of the HCUC budget and two-year financial plan. SS informed the meeting that a mid-year forecast would be prepared and presented to Governors for approval in March 2018, with a further final out turn for approval in July 2018. At each point of review, the 2 plan years would also be reviewed and updated where appropriate. The meeting was reminded of the principle of lagged funding where any under or over recruitment of 16-18 learners in one year would only have an impact on the following year. For 19+ funding any under recruitment would generally result in clawback (unless the shortfall was less than 2%).

SS gave the meeting an update on final learner numbers for 2017/18 and the likely impact on funding and the budget and plan years.

16-18 funding: The meeting noted that based on learner numbers at the first ILR, it was anticipated that HCUC would achieve its learner number allocation; individually HC had slightly under-recruited but this had been compensated by over-recruitment at UC. Additionally, it was noted that HCUC had increased the number of 16-17 year olds (paid £700 more than an 18-year-old), and had also increased the number of Full Time learners, which would also have a positive impact on lagged funding in 2018/19. The full value of the 16-18 contract was noted as £31,568,000.

19+ Classroom based funding: The Resources Committee discussed the likely impact following the funding assurance work completed by KPMG on the 2016/17 funding claim to the ESFA as discussed in the joint Resources Committee and Audit Committee meeting earlier in the day. Governors noted that there were two issues which would affect the 2017/18 HCUC budget. These were: clawback of funds for courses or students who were ineligible in some way for funding during 2016/17 (total value of the clawback was £550,000); in addition, there were a number of courses included within the Business Base and claimed in 2016/17, that were not running in 2017/18, as the offer was not appropriate (they were deemed to be accelerated qualifications). The value of these courses in 2016/17 was approximately £476,000. SS clarified that there was approximately £1,026,000 worth of courses at Harrow College that had been run in 2016/17, which would not run in 2017/18. These courses would need to be replaced, in order to fully utilise the 19+ funding allocation. The meeting was also reminded that both Harrow and Uxbridge had under-recruited 19+ learners to a marginal extent at the main September enrolment, which could also have a negative impact on the HCUC income position for 2017/18. The meeting noted that full value of the merged 19+ allocation for 2017/18 was £7,177,000.

Apprenticeship funding: The meeting noted that the individual colleges received non levy apprenticeship allocations for new starts spanning May to December; (£48,442 at HC and £285,203 at UC). A tender had been submitted for allocations from January 2018 to March 2019, but the outcome would not be known until the end of November. Governors were informed that College management were expecting a shortfall against the total allocation (£333,635) of approximately £100,000, however due to the bureaucracy and large quantity of paperwork against each apprentice, it was anticipated that this figure would decrease as more apprentices already in the College and working through the system were included in the College claim. The meeting discussed UC strong track record in apprenticeships within London and the large budget for this work. Governors were given some additional briefing around the types of employers that UC worked with; these included SMEs as well as some large levy paying organisations.

HE Recruitment: The meeting was reminded that HE recruitment was lower at Uxbridge than target (242 against 282), and although the target numbers at Harrow had been achieved (45), class sizes were very small, leading to financially unviable courses. These small cohorts had all been reviewed as part of the exercise discussed above, but commitments had been made to students which the College cannot break this year. The Group CEO reminded the meeting that the HE market was getting harder for FE Colleges as Universities took learners earlier with lower qualifications.

International Recruitment: As previously discussed during the meeting, international recruitment at Uxbridge has not achieved the target levels due to the suspension on the College's Tier 4 license in July 2017, which meant that no offers could be made or enrolments completed for a key recruiting month in the summer. The licence was reinstated by UKBA, but enrolments could not be recovered in time; the shortfall in income for 2017/18 was likely to be approximately £76,000 (rather than £100,000 as stated in the submitted report).

Governors sought additional detail on what management were doing to mitigate the impact of any funding shortfall in advance of the December 2017 ILR providing full clarity. The meeting was given assurance that HCUC Funding and Finance, along with the Harrow VP, had recently completed a full course Masterfile review with Harrow curriculum managers and their Directors which reviewed each course, ensuring all aspects were appropriate and fundable. There was also a temporary stop on any recruitment at Harrow College until the full results of this exercise were know. A change had also been put into place at HC to ensure that any agency staff recruitment was undertaken by one nominated person in HR; individuals could no longer recruit agency staffing directly. This would lead into the mid-year forecast which would enable the College to work through the savings required as a result of any expected shortfall for the year. Governors noted that management would not know the exact current position of the funding until after the December ILR, when they would be able to confirm the value of the shortfall. With a view to some mitigation the College was currently reviewing its ESOL provision and discussing subcontracting options with the London Borough of Hillingdon Adult Education. The Chair asserted the need for the mid-year review to assume a worst case scenario so that Governors could be fully aware of the magnitude of any funding shortfall for the current or future years.
The Budget Update Report was NOTED

16. Capital/ Property Update

A property update report was considered by the meeting which provided an update on the following: detailed financial information for the new Health and Social Care building at Harrow Weald campus; an update on the Weald masterplan; and an update on the Harrow College submission to the LEP for capital projects across the two Harrow campuses.

Health and Social Care Building: The meeting was given an update on the new Health and Social Care (H&SC) building at the Harrow Weald campus. The contract completion date had been 24th August 2017 but the final handover date had been delayed to 30th October 2017. This had enabled staff to access the building during half-term and the students to start in the new building after the week's break. The meeting noted the detrimental impact of the delay on the curriculum delivery for H&SC Learners and the discussions around securing Liquidated Ascertained Damages in compensation from the contractor. The meeting noted the estimated outturn of £4,814,470 against the project budget of £5,150,124. Governors sought, and was given, confirmation that the HC Principal was pleased with the new building. It was noted that the official opening would now be delayed and would take place in July or September 2018.

Weald Masterplan: It was noted that due to delays within the local planning authority final planning approval had not been determined on 18th September 2017 but was now delayed for consideration until January 2018.

Harrow College bid for LEP capital funds: The meeting was reminded that Harrow College had been invited to go forward with a full bid for the refurbishment of the LRC at the Weald Campus at a cost of £2.7m; there would be an expectation of a 2:1 match on funding. It was noted that this was submitted pre-merger and the HCUC proposal was for the new College Group to contribute £1m from reserves with the balance requested from the LEP. Governors noted that a decision on this application would be known in January 2018.
The Property Update Report was RECEIVED.

MINUTES

17. SFA Dashboard and Confirmation of SFA Financial Health Rating

The meeting noted a letter from the Head of Provider Financial Management and Assurance at the SFA to the Principal which confirmed that the assessment of the financial health of Uxbridge College (UC) was at Outstanding for 2016/17 and for the current budget year 2017/18 for HCUC was also outstanding. It was noted that due to the merger the SFA would not issue a letter to Harrow College post-dissolution. The accompanying Dashboards showing KPIs for the College were noted and commended for the useful information.

The Chair asked the GDFRP to confirm whether the graph showing 'debt charge as a percentage of income' was correct; this was showing at 9% in 2018 which seemed high.

The SFA confirmation of Outstanding Financial Health grade for UC 2016/17 and HCUC 2017/18 was NOTED.

18. To receive the Resources Committee Risk Register update

The meeting noted the two separate College Risk Registers which were both now in the format previously used by Uxbridge College: these had the risks aligned to the Corporate Goals of each college. SS confirmed that both of these Risk Registers would continue to be monitored via the individual sub-Committees as well as by the Audit Committee. The Risk Register aligned to the Post Merger Action Plan (PMAP) was also considered; the risks on this were aligned to the PMAP rather than the corporate goals. The meeting noted that one Risk Register for HCUC would be drafted once the HCUC Strategic Plan was agreed (due to be considered by the Governors in January 2018). The meeting considered the three Risk Registers and noted that they showed significant and contingency risk only. Governors were given assurance that these Risk Registers were reviewed regularly through HCUC management team meetings. The meeting considered the summary report which highlighted the key risks as follows:

Harrow College and Uxbridge College Risk Registers

The meeting noted that the significant risks (rated 12 and above) in both Colleges all related to difficulties with staff recruitment and achievement of funding:

- Insufficiently qualified and equipped staff to support the delivery of study programmes and quality outcomes for learners
  - Problem areas noted as: Harrow, Health & Social Care and LLDD; Uxbridge, Business, Health and Social Care, Engineering (ME), Learning Support
- Failure to recruit 16-18 enrolment and AEB income targets.
  - Recruitment to date was noted as:
    - Harrow
      - 16-18 learner numbers actual: target 1838:1961
      - 19+ funding target £4,334,000: shortfall anticipated
    - Uxbridge
      - 16-18 learner numbers actual: target 4131:4169
      - 19+ funding target £2,842,000: shortfall anticipated
- WBL 16-18 and 19+ apprentices target not met including in-year variation
  - May – December shortfalls expected, not to be confirmed until December 2017 ILR
- Underachievement of funding targets – as above and as previously discussed by the Resources Committee meeting.
- An additional risk in Harrow related to apprentices: Apprenticeship (WBL) performance falls below Minimum Standards (MS) impacting funding contract.
- An additional 2 risks were significant at Uxbridge:
  - Performance measures in English and Maths, including progress measures, fall below national averages
  - International income fails to meet financial targets due to unforeseen events.

MINUTES

Post-Merger Action Plan (PMAP)
The meeting noted the significant risks associated with the PMAP Risk Register. These were noted as being in relation to the following: Pay assimilation of Harrow staff onto HCUC pay-scales (as previously discussed by the meeting); Review of the staff profile to align with HCUC requirements; Determine and implement most appropriate MIS systems for HCUC; Determine an agreed approach to the management and achievement of quality processes and outcomes at HCUC (with a view to achieving Ofsted 'outstanding' status within 3 years of merger; and, Ensure the successful launch of HCUCs West Met Skills in 2017/18 (the Employer Services Unit facing wing of HCUC).

Governors sought, and were given, confirmation that a composite HCUC Risk Register would be available from January 2018 once the new Strategic Plan for HCUC was drafted and approved.
The College Risk Registers and the Post-Merger Risk Register for HCUC were NOTED and RECEIVED.

19. To confirm and agree the dates and times for the meetings in 2017/18
The dates and times of the meetings were agreed as follows:

- ~~Wednesday 14th March 2018 at 10.00am~~

(subsequently changed to Tuesday 13th March 2018 at 10.00am)

- Wednesday 20th June 2018 at 10.00am

20. Any Other business
There was no other business. The meeting closed at 12.55pm

Signed ……………………………………

Date ……………………………………..

UXBRIDGE COLLEGE
T +44 (0)1895 853333 F +44 (0)1865 853337 www.uxbridgecollege.ac.uk