IEG FINANCE & RESOURCES COMMITTEE

12 March 2024

16:30 - 18:00

Peterborough College

ATTENDANCE

PRESENT
Angela Morris (Chair)
David Cashmore
David Pennell
Suneel Appan
Rod Allerton
Rachel Nicholls (CEO)

IN ATTENDANCE
Joanne Ulyatt (Governance Director)
Angela O'Reilly (Vice Principal, Curriculum & Quality)
Ed Thomas (Chief Operating Officer)
Louise Perry (Chief Financial Officer)
Alison Fox (Executive Director Business Development)

APOLOGIES
Faustina Yang

13. WELCOME

Standing item Speaker: Chair Time: 16:30

a. Apologies for absence: Apologies were as noted.

b. Eligibility, quorum, interest and hospitality disclosure: No notice had been received of any Member becoming ineligible to hold office, the meeting was quorate, and no interests were declared.

c. Requests for urgent business: None received.

14. MINUTES

Standing item Speaker: Chair Time: 16:32

a. Minutes of the last meeting (22.11.23): The Minutes of the last meeting (22.11.23) were confirmed for signature. **(ACTION 9).**

b. Matters arising from the Minutes: None.

c. Actions from the minutes: All actions were complete.

15. NURSERY UPDATE

Discussion item Speaker: CFO/VP C&Q Time: 16:35

a) Update provided noting that performance is consistent with current industry performance.
b) Key changes to nursery funding effective in April are expected to improve occupancy rates from 66% currently to 69.6%, an increase of 5%. This increase coupled with the impact of the January price increase is sufficient to deliver a small monthly surplus. Discussion focused on maximising occupancy by considering number of hours utilised rather than number of children enrolled.
c) Break-even occupancy is estimated to be circa 68.5% but the mix of rooms at different price points makes this a complex calculation. The business plan target remains at 75% occupancy, with a mix between private and funded places.
d) The nursery plays a vital role for staff and students, with high uptake also from hospital staff and key workers.
e) Difficulties were highlighted regarding staff cover for sickness and maternity leave, though legislative changes to child/staff ratios have helped operational performance in this regard.
f) Governors acknowledged that the nursery is an important part of the Group offering even if it operates at only a small profit, however, there is no reason it should be operating at a deficit going forward since pre-pandemic it generated a surplus year on year and did not operate at a cost to the organisation.
g) Concerns were raised regarding the current financial forecast with nursery income down £65K, however, the January price increase is expected to prevent further losses for the remainder of the year. A monthly surplus position is anticipated from January onwards, leaving a projected end of year deficit of circa £10K.

h) It was noted that 100% occupancy is not achievable due to a level of flexibility required to accommodate staffing ratios and also to allow for progression.
i) The initiation of market research was welcomed by governors who also suggested liaising with other nurseries in the region.
j) An update on the business plan and marketing strategy would be welcome in the near future, but recognising that this is a very small percentage of the income and should not detract disproportionately from time spent on other business.

16. HR UPDATE

Discussion item Speaker: COO Time: 16:50

- People Strategy

a) Governors commended the revised format of the report, noting the hard work that has clearly been put into the report. This is still a work in progress, tied to the i-Trent implementation which will drive further improvements.
b) Sickness has reduced slightly and turnover has dropped below strategic target which is attributed to the pay award and various other wellbeing initiatives. Long-term staff absence has risen with the longest two cases due to cancer and a muscular-skeletal condition. Of 44 occurrences, 2 staff remain off sick and 13 have left employment with IEG, 9 of which were the subject of disciplinary proceedings which is often the trigger for long term mental health absence and not reflective of the culture within IEG.
c) 74 vacancies include 10 QRS vacancies. 5 adverts have been live for 3 months or less and 3 have been live for 9 months or more. It was noted that the red RAG rating is purely based on volume.
d) Casework reporting builds in previous comments from governors to add a section on probation. 3 members of staff are on support plans at SC and 1 at PC which is a precursor to the capability process.
e) 12 new starters left IEG within the first 12 months of recruitment which equates to 9.5%. This gives a year one retention rate of 90.5% against a suggested KPI to retain 90% for 12 months or longer. Reasons for leaving were provided from Exit Interviews.
f) The HR/payroll modules implementation progresses with deadlines in place for key modules to be fully operational by September. This has not progressed as quickly as hoped but is gaining traction. This will reduce the manual input required.
g) JCC meetings continue to be positive, with an additional policy review meeting added with JCC union colleagues to garner feedback and ensure the relationship is maintained.
h) The People Strategy has been designed in line with IEG's strategic objectives; for the next meeting target dates are to be added, and an update on progress will be provided. **(ACTION 10)** Governor feedback was welcomed and the dynamic document was praised.
i) Data is still awaited from QRS following which a paper will be presented to the Committee as soon as possible.
j) Possibility of rebranding HR to People Services is under consideration.
k) Staff data KPIs are benchmarked against 2021-22 data from AoC; it is hoped that more current data will be available from the AoC soon, but IEG data from previous years can also be used for benchmarking and tracking purposes.

17. HEALTH & SAFETY UPDATE

Information item Speaker: COO Time: 17:00

a) As requested by governors, further detail had been built in since the last report.
b) Governors questioned with regards to assaults on staff; it was explained that these were minor incidents but dealt with accordingly.
c) Health & Safety audits in SC have not yet been completed due to staff absence within the H&S team, however all audits have been scheduled for completion by the end of March; governors queried whether the March target is achievable and it was confirmed that there is confidence that this can be done.

18. UCP UPDATE

Decision item Speaker: CFO Time: 17:10

IEG/UCP SLA:
a) An updated SLA between IEG and UCP brought a document originally implemented in 2020 up to date to clarify responsibilities and provide the justification for service charges made.
b) Approval is required from both IEG and UCP. The document will be presented to UCP Council on 14 March for approval.

*The Committee **approved** the IEG/UCP Service Level Agreement.*

Financial Regulations Annual Review:
a) An in-year update was presented which seeks to align the UCP Financial Regulations with the IEG regulations, which were amended following consideration at the Corporation Board meeting on 5 March 2024, to correct the debt write-off threshold from £50K to £45K. b) A few small wording adjustments were also proposed, along with the inclusion of an appendix of decisions reserved to the IEG Corporation Board to improve the document, and an alignment of thresholds with those of IEG.
c) The document will be presented to UCP Council on 14 March for approval.

*The Committee **approved** the UCP Financial Regulations.*

UCP Finance Report P6:
a) The UCP Finance Report has been updated to align with the IEG report format, showing key metrics.
b) The YTD position was reported as a surplus of £60k against a budgeted deficit of £72k. Reasons for variance were clearly outlined.
c) Information was included on historic bad debt resulting in part from incomplete data migration when the Joint Venture with ARU ceased. £409K is at 120 days plus; £396K of this is already fully provided for. The maximum exposure for 2023/24 is currently circa £90K (2% of HE fees); this is not yet classed as a bad debt but represents the maximum in year that may be added to the provision at the end of 2023/24 if not collected.
d) IEG is very active in terms of debt recovery and collections and it is not expected that all of the exposure will convert to bad debt. Debts from 2020 onwards are also still being pursued. Most of the 60 - 90 day debt is outstanding from the Student Loans Company, with the final receipt due in May 2024. The potential bad debts primarily relate to student withdrawals where the SLC pay half of the fees and the student remains responsible for the remainder. In the current year, £13K is to be actively pursued from students who left in-year.
e) Governors suggested adding an additional column to show aged debt already provided for.
f) Improved processes in place are expected to minimise future bad debt and the Finance Team are doing very well in pursuing old debt. Students do inevitably drop out and there is a strict process to follow, including evidencing that they have been informed three times that they will be liable for outstanding fees. Where issues have arisen with prior year debt, this often relates to challenges that

the student was not informed three times that they would be liable, however, the team are now adept at ensuring the process is completed. This report template will be brought to F&R on a regular basis.
g) Governors queried the meaning around the reason that the YTD surplus is well within target being "down to profiling rather than full year performance"; it was explained that due the the HE funding model, income is projected over 10 months instead of 12, whilst expenses are spread over 12. This "profiling" approach creates a temporary discrepancy until year-end. It is difficult to anticipate the expected income in August and September due to later enrolment deadlines and the trigger point for full income recognition not until March which makes recognising income ahead of time risky. The risk reduces through the year as trigger points are reached.
h) The impact of the restrictive Advanced Leaner Loan funding allocation which has impacted course recruitment was noted.
i) Staff costs as a percentage of income is higher than target through a combination of the loss of partner income, Level 4/5 income and the 7% pay award in January 2024. Staff costs are also directly related to group size; if group size is too low the ratio of staff costs to income is skewed. In HE, once students are enrolled on a course it has to be delivered due to the contractual terms. A great deal of work is done to ensure that only courses that will achieve sufficient numbers are recruited to.

19. FINANCE UPDATE

Decision item Speaker: CFO Time: 17:25

Group Finance Report P6:
a) A detailed P6 finance report was presented, including greater information and insight to expand upon what was recently presented to the Corporation Board. This provided a full review of the certainty of the income and expenditure forecasts currently predicted.
b) Further information received since the time of writing the report regarding the TPS grant provided better than expected news, which will be reflected in the P7 report.
c) Some areas of lesser certainty were explained. Exams and transport are being closely monitored, alongside reviewing how much IEG spends on transport compared to other colleges. Steps being taken to withdraw some routes would be supported by governors; further analysis to understand how many students would be affected by proposed cuts is underway. IEG has gone out to tender again and is also proposing to increase transport costs to close the financial gap, along with changing the bursary threshold from £40K to £45k to ensure more individuals can access it. It was noted that it will be interesting to see if the transport changes impact on students travelling between Peterborough and Stamford going forward.
Commercial Ventures Report P6:
a) APT has been an area of challenge but has now gone through restructure and issues are being addressed.
b) Combined catering functions are falling into a deficit position due to higher than budgeted staff and food costs, though the income growth is on track. Catering is run by the Group in-house with paid for franchises. Governors challenged as to why it has not been outsourced; this would inevitably increase the cost to students and staff which did not feel like the right thing to do when many are struggling with the cost of living crisis, and members of the Executive Team noted previous poor experiences with outsourced catering contracts which could lead to a significant increase in complaints. It was agreed by governors last year that the functions could be run at a breakeven position, however, unexpected outlet closure due to RAAC caused an unplanned deficit for PC. Income and staff costs are close to budget. Non-pay costs are the main difficulty and price increases are needed to mitigate this.

c) Governors queried the presentation of the combined monthly transaction volume of circa £39K against a budget of £30K, and questioned where the additional £9K transactions are accounted for; LP to review to ensure this is being accurately reported. **(ACTION 11)**

MOT Business Case:

a) A proposal was put forward to close the MOT Training Centre at Stamford College due to lack of physical space within the estate to deliver the practical elements required for existing Apprentices and the new T Level provision in 2024/25 without re-purposing this facility. The options were considered, with analysis indicating that it would not be commercially viable to move this provision to an alternative offsite location.

b) The proposed closure involves two redundancies which was noted and considered.

c) With clear communication, there is little reputational risk involved. Training courses booked ahead would be seen out, but otherwise the Centre provides 1 or 2 day courses for adults who could travel to other locations.

*The Committee **approved** the recommendation to close the MOT Training Centre at Stamford College and reallocate capital in year to refurbish the space for use by curriculum from September 2024 (included in the Capital & Estates Paper.*

2024/25 Budget Principles & Capital Planning:

a) The basis on which the budget for the next academic year will be constructed was presented, providing governors with an opportunity to challenge the assumptions.

b) Information received from the ESFA indicates that the allocation estimated aligns closely with the allocation predicted.

c) A discussion was initiated with the ESFA to ascertain if potential growth in the Adult Learner Loans could be achieved but this is as yet unknown, therefore existing figures have been used.

d) As noted previously there was news of a positive outcome regarding the TPS grant.

e) Price increases for student transport were yet to be modelled against expected groups. The overall income is expected to remain the same or decrease due to termination of up to 7 routes, but the associated cost reduction is expected to be larger.

f) Appendix 2 provided a sense of where extra resource will need to be allocated for next year.

g) Recruiting a plumber due to high spending on sub-contractors and a dramatic increase in day rates. This follows last year's recruitment to a newly created grounds maintenance post which has proved to be cost effective.

h) Accounting for apprenticeships costs was discussed; non-pay costs are minimal and staff costs have already been increased. There will inevitably be things that move and change but the report gives an initial indication of the approach.

20. PARTNERSHIP & SKILLS REPORT

Information item | Speaker: EDBD | Time: 17:45

a) An update was presented for information. Well up to date on Apps.

b) HGV training project is still ongoing with GLLEP.

c) A decision has been taken not to deliver Skills Bootcamps next year as the models tried have not been successful; this is a very small element of provision and effort and resources can be better employed elsewhere.

d) Multiply will continue and funding has been utilised to increase activity each month, however much of the funding goes to staff costs as it is labour intensive provision.

e) Subcontracting partnerships continue to reduce in line with ESFA recommendations and a Supported Delivery model is being piloted with Learning Curve to reduce subcontracting year on year.

21. CENTRE FOR GREEN TECHNOLOGY UPDATE

Information item Speaker: COO Time: 17:55

a) A 2-week time slippage from 56 to 58 weeks was reported due to inclement weather. Mitigation work against this loss is being carried out. Governors asked how the slippage will impact in terms of curriculum delivery; the impact has been reduced as plans are in place for decanting to be brought forward sooner than originally planned and everything opportunity to try to recover the time lost is being utilised. Equipment will begin to be moved in before the practical completion; governors urged the team to remain mindful that snagging work will need to be carefully managed alongside this.
b) Another VIP visit provided an additional publicity opportunity.
c) Governors questioned whether there were any other capital funding opportunities to apply for; IEG has submitted a bid for £80-100M to the Department for Business, Innovation & Skills but if this is unsuccessful there are some other UK opportunities that could be pursued. Borrowing options are also being explored and there are lots of opportunities for lobbying. Once the Estates Masterplan is in place, IEG will have a solid vision for the future to promote and work towards.

22. CAPITAL & ESTATES UPDATE

Discussion item Speaker: COO/CFO Time: 18:10

a) From a capital perspective IEG is expecting a net cash inflow due to grants and funding successfully achieved. This does not alter overall costs but renders much of the work cost neutral to IEG, for example the work to remove RAAC which has been grant funded.
b) An update was provided on refurbishment work and business as usual.
c) The investment to refurbish the MOT Centre to bring it back into curriculum use was included within the capital forecast as per the business case presented earlier in the meeting. The proposed reallocation of funds is within the overall capital plan approvals.
d) There was a £1M contingency set aside for CGT over 2023/24 and 2024/25 from reserves but as yet there has been no draw on this and at this point there are no plans to use this funding. There is also project contingency built into the £13.9M budget. Governors asked when e) IEG expects to hear an outcome from the bid submitted to the Department for Business, Innovation & Skills; the appetite for international investment is expected to be known by the end of April.

23. URGENT BUSINESS (ITEM 13C REFERS)

Standing item Speaker: Chair Time: 18:25

AF was thanked for her contributions and wished well for her retirement.

24. DATE OF NEXT MEETING: TUESDAY 11 JUNE 2024 (STAMFORD COLLEGE)

Standing item Speaker: Chair Time: 18:30

There being no other business, the meeting closed at 18:32.