

# EALING, HAMMERSMITH, AND WEST LONDON COLLEGE FE CORPORATION

## Minutes of the Finance and General Purposes Committee

<b>Meeting</b>	<b>FINANCE &amp; GENERAL PURPOSES COMMITTEE</b>		
<b>Date</b>	4 October 2022	<b>Time</b>	18.00
<b>Venue</b>	Virtual meeting <sup>1</sup>		
<b>Chair</b>	Phillip Kerle		
<p><b>Members:</b> Phillip Kerle; Ian Comfort; Jake McClure; Karen Redhead (CEO); Jon Roe; Chris Taylor  <b>In attendance:</b> Anil Nagpal – Chief Operating Officer (COO); Maxine Deslandes, Director of Finance (DoF); Ra Hamilton-Burns – Governance Advisor.</p>			

<b>1.</b>	<p><b>APOLOGIES FOR ABSENCE</b>  Apologies were received from Jake McClure and Ian Comfort.  The Committee agreed that as David Warnes has a meeting with Ealing Council at 19.00, item 10, be taken first on the agenda after the matters of business.</p>
<b>2</b>	<p><b>DECLARATIONS OF INTEREST</b>  Phillip Kerle declared that he is a governor at Orbital South Colleges.</p>
<b>3</b>	<p><b>MINUTES OF THE PREVIOUS MEETING</b>  <b>AGREED: THE PREVIOUS MINUTES FROM 20 JUNE 2022 WERE APPROVED AS AN ACCURATE RECORD.</b></p>
<b>4</b>	<p><b>MATTERS ARISING</b>  It was agreed that the matters arising had been closed or are being actioned.</p>

<sup>1</sup> In accordance with governmental social distancing guidelines owing to the Covid-19 public health crisis and as permitted under Instrument 1f of the Corporation Instrument and Articles of Government.

10

**Report against Climate Code to include Energy Costs and usage DfE – This item was taken after the minutes of the last meeting.**

David Warnes reminded the Committee that the College has adopted the [AoC's Climate Action Roadmap](#) as a framework to drive the Environmental Sustainability Strategy approved by the Board in 2021. The College achieved 'emerging' status at the end of the 2021-22 academic year and the goal is to achieve 'established' status by July 2023. This year the College will work towards zero energy status.

He outlined the following headlines:

- The College must publish its energy use using a three-scope format on the website
- Current energy use equates to 4.35 metric tonnes of CO<sup>2</sup> per staff member
- Transport and vehicle emissions have reduced due to disposal of older College fleet
- On three of the measures there has been reduction of energy usage
- Gas usage has increased significantly
- It is difficult to make meaningful annual comparisons due to Covid.

The measures to reduce energy use were discussed, some of which are already in place. The College is working to increase awareness and thereby reduce energy usage. It is interesting that the majority of staff travel to work using a low carbon method. The College has surveyed those travelling by car to seek actions that might change their travel method, these were: safer cycle storage, changing facilities for staff, flexible working hours and lower transport costs.

A green travel plan for staff and students will be produced this year. The carbon literacy project is being rolled out to students through study programmes and some staff have already attended this programme.

Governors thanked David Warnes for his report. They asked how the College makes the decisions on the estates strategy to drive energy efficiency and ensure that any expenditure has impact. There is a Climate Committee which informs such decisions. Some of the estate revisions are quite expensive so the College has begun with behaviour change. The larger ticket items relate to how energy inefficient the Hammersmith campus is so the estates strategy is integral to this. There needs to be a heat decarbonisation plan and a bid to win funds for this was not successful this summer, but the College will seek further funding opportunities. The Committee commented that recent increases to energy costs might alter previous decisions on expenditure.

Karen Redhead and Terry Stevens have been meeting with AoC colleagues after she had contacted David Hughes when the College was not successful in securing decarbonisation funding. There is now a lobbying campaign which proposes that the targets might be hit sooner if colleges are supported. Governors suggested that a joint colleges procurement approach might yield more effective savings. Karen Redhead added that it is hoped that some manufacturers might be happy to support colleges who will be training learners in green skills as future employees. Governors advised that the College should look to ensure that the decarbonisation plan is bespoke to the College to ensure that the equipment purchased is appropriate, the implementation is successful and the payback as short as possible.

5

### **Management accounts June 2022**

David Warnes was asked what the potential clawback on the College's distance learning provision for 2021-22 might be and what could be done going forward as this is the second year that this has occurred and only become evident at the last minute. David Warnes says the College is reviewing this now to ensure that there are mitigations put in place for 2022/23. The distance learning provision makes up the bulk of direct delivery on the ESFA AEB strand. The distance learning provision is a large programme with 3k learners with 40-50 qualification aims which can be difficult to manage. This year there have been significant staffing issues including sickness and turnover, which has meant that managing withdrawals, motivating learners and monitoring attrition was affected. The work now is around how to strengthen the team to ensure they have robust plans if staff members leave. Staff need to be on top of marking and assessments. Many learners who complete these courses go on to complete further courses at the College so represent a significant revenue stream and good customer service is critical.

Governors suggested that this area should be subject to a complete review. It was agreed that recruitment should be reviewed as referrals are currently via a third party although the intention is to bring this in-house over time.

The Committee asked how confident the College is that it will receive the balance of the revenue. The College reviews the position regularly and is forecasting £2.4 million including subcontractors currently. The College is revisiting all enrolments to see if learners can be converted from co-funded to fully funded. This work has reaped a couple of hundred thousand in the ten days. Governors asked if this fails will it result in a significant clawback. The distance learning is connected to the reduction in the sliding decline of subcontracting and relates to the ESFA, so some clawback was always expected.

On the GLA funding last forecast was 97.5% on 30 September 2022 from the senior team and MIS.

#### ***David Warnes left the meeting at 18.25.***

Karen Redhead assured the Committee that whilst David Warnes is leaving the College, she will be monitoring this area personally and ensuring that a root and branch review will be driven forward before his successor joins the College.

Governors commented that this information has arrived too late to allow the College to put in place sufficient mitigations and this is the second year that this has happened. The Committee asked that a robust process should be put in place to review MIS returns in-year and identify other break points.

The Committee noted the financial position of the College at the end of June 2022.

The College is finalising the draft set of management accounts for July 2022 and these will be sent to the October 18 Board meeting.

#### **As at today's date for 2021/22 to be confirmed by audit:**

- Operating deficit at 283k
- £130k adverse movement versus the June management accounts.
- Bottom line has moved out to total a deficit of £3m including pension costs of £2.7m
- Income looks like it is a favourable variance, but this is higher due to the business

case on subcontracting being approved by the ESFA

- This masks the fact that the overall income is down by circa £0.5m
- Pay is slight adverse to budget by circa £150k
- Non pay is circa £1.4m adverse including the subcontracting costs
- Towards Q4 increased energy costs have come through
- There are risks to the funding streams as the numbers are being finalised
- The ESFA income is built in at £2.4m currently so a drop in this would impact the outcome
- GLA is just over the 97% threshold that is required to be achieved and thus has a small buffer. If this changes adversely the clawback would be significant.
- The external and regularity auditors are in College from 10 October 2022 onwards
- Final accounts, with draft financial statements, will be presented to the 29 November 2022 FGP and Audit Committees.

#### **KPIs**

- Staff ratio – 63%
- Current ratio is expected to be higher than in prior years with cash balance at July 2022 of £9.7m
- Borrowing will be impacted at 47% approximately (tbc) as the DfE loan was put through on 31 July 2022
- Financial Health will be impacted, and the College was on the cusp of 'Good' but the borrowing will affect this. This will be confirmed to the November FGP Committee
- EBITDA is currently good

#### **2022/23**

Anil Nagpal said that the coming year will be more challenging than last year. The budget was approved by the Board in June 2022, but the current economic factors are having an impact. Two key changes since the budget was approved include:

- £295k additional income from the GLA
- DfE loan is £13.6m rather than the £11.6m as the £2m clawback relating to a legacy subcontracting issue is now included in the loan; the £2m clawback will now feature in longer term creditors and this will affect the borrowing to income ratio

#### **Key risks for current year**

- Income continues to be a key risk
- Staff recruitment and staff turnover are also risks
- Anil Nagpal confirmed that the College will not benefit from the six months' support for public bodies offered for energy cost support
- The current estimate is adverse extra energy costs of circa £0.5m
- Other economic factors such as inflationary pressure will also have an impact

Governors commented that the significant increase of staff turnover was noticeable and asked if the underlying drivers had been investigated. The Search and Governance Committee discussed this along with other major risks and agreed that there will be a separate session for Board members to discuss the strategic impact and possible mitigations. Dates are currently being reviewed and a poll will be sent.

Governors asked if there are any reasons why commercial income had reduced last year. Anil Nagpal explained that Brexit and Covid had led to significant loss but there had already

	<p>been a steady decline. There are plans to build this up and this year there has been an increase in room hire already and this will be a focus going forward. Energy costs are one considerable pressure but income across all of the strands also needs focus as it affects all of the ratios.</p> <p><b>Enrolment</b></p> <p>The College is currently about 800-900 learners up in adult on 2021-22 which generates an average of £1k per learner. £400k of subcontracting fund has been kept in-house by the College and the GLA has confirmed that colleges can apply for in-year growth by December 2022. Distance learning will reduce the expectations for the current year. 16-18 enrolment is circa 140 learners up on last year but not up to pre-pandemic levels. Phillip Kerle commented that if the increase of 16-18 learners enrolments in year is more than 10% a college can apply for in year funding. The CEO agreed but added that this needs to be demonstrated at R04. The profile of the College's enrolment of 16-18 ESOL learners means that it could demonstrate sufficient growth by year end, but is usually not able to evidence this at the R04 trigger point.</p> <p><b>ACTION: MD and AN to focus on the sensitivity analysis with the Exec team.</b></p>
6	<p><b>Confirmation of Going Concern</b></p> <p>Anil Nagpal confirmed that the management accounts and cashflow projections show that the College has sufficient cash to cover their liabilities at the present time. He added that the new loan agreement to 2030-31 will have a positive impact on the end-of-year audit and offer greater assurance.</p> <p><b>AGREED: THE COMMITTEE AGREED TO RECOMMEND THAT THE COLLEGE IS CURRENTLY A GOING CONCERN TO THE BOARD</b></p>
7	<p><b>Estates matters</b></p> <p>Anil Nagpal reminded the Committee that the Board had recently updated the College Estates Strategy in February 2022.</p> <p>The College is currently progressing the following workstreams:</p> <ul style="list-style-type: none"> <li>● Exit from Park Royal College and movement of the provision to Southall Community College; Southall works underway and ongoing</li> <li>● Developing proposals for the Hammersmith College site in readiness to submit a capital grant application to the next FECTF bidding round when the opportunity to bid arises. Architects are now in place to take the design to RIBA Stage 2.</li> </ul> <p>Phillip Kerle informed the Committee that Terry Stevens has resigned and will leave the College in March 2023. He is pivotal in managing the College's decant from Park Royal and it is of concern that a new manager may not be up to speed when they take over. He had discussed mitigations with Anil Nagpal. There is a project manager overseeing the Park Royal project and the team meets every Friday and is up-to-date. The role will now be split in two with a dedicated Director of Estates and Infrastructure and a Director of IT and Digital Innovation.</p> <p>Governors voiced concern that a great deal of institutional knowledge invested is in Terry Stevens and suggested that there may be some interim support solutions as the timescales for recruitment can overrun in current market conditions. There might also be a way of enhancing the service from the project manager to bridge any gap. The Estates</p>

	<p>Working Group had discussed employing a dilapidations specialist. More support might be sought from Peter Marsh Consulting Ltd as they already have knowledge of the College. Karen Redhead said that the College will monitor the situation very carefully. There is a Head of Estates who has detailed knowledge of the Southall site. The project manager is doing an excellent job and understands that there cannot be slippage in terms of budget and time. The College has appointed a dilapidations expert and a report was received last week and is informing discussions with the landlord.</p> <p>The College is hoping for a handover period and there are discussions that Terry Stevens may be able to continue to provide support to the College. Governors said that this should be explored and confirmed and if it is not possible, additional support should be secured as the decant from Park Royal is critical to the College</p> <p>Governors asked if there is a risk that the project manager may be enticed to another project if they are a sole trader rather than being engaged through a company with an obligation to provide resources. Anil Nagpal added that this project is monitored weekly and there is an Estates Working Group that meets regularly. The College senior team is only too aware that the break clause is critical as the lease would continue for a further five years and the loan repayments are predicated on the decant going ahead.</p> <p><b>ACTION: KR to consider the points raised by the Committee and produce a proposal for the Board.</b></p>
8	<p><b>IT strategy update</b></p> <p>Anil Nagpal said that work on the strategy had begun, with support from JISC, but is paused as there is a staffing issue in IT as the Head of IT and his deputy have left the College. Recruitment is underway.</p> <p><b>The Committee noted the update.</b></p>
9	<p><b>Settlement report – this item was considered as a confidential matter</b></p>
11	<p><b>Staff survey initial report</b></p> <p>The Director of People and Organisational Development no longer works for the College. Karen Redhead presented the report. The College had tried to reduce the survey to fewer questions, but it had since increased. A twilight session will be held to invite governors to discuss the survey in more depth.</p> <p>The 2022 survey posed 46 questions, of which 31 are repeated from 2021 and 15 are new. There was an 83% participation rate compared with 61% in 2021, which is a 22-percentage point increase.</p> <p><b>Comparison of the percentage of ‘Agree’ responses</b></p> <p>When analysing the ‘Agree’ responses, for the 31 questions that are common across both years, 18 have improved in percentage terms, 1 has remained static and 12 have declined. The biggest declines are seen in the following questions:</p> <ul style="list-style-type: none"> <li>• Q21: My performance against my individual targets is regularly reviewed (-10 percentage points)</li> </ul> <p><i>Karen Redhead said that the performance appraisal process has been reviewed and was not robust during Covid.</i></p>

- Q40: The College's premises are well maintained (-7 percentage points)
- Q5: My views are sought and considered (-6 percentage points)
- Q14: The College is well led and managed (-5 percentage points)  
*This will be unpacked and work will be done to understand this.*
- Q32: I can cope with the demands of my job (-4 percentage points)
- Q30: I have not been subjected to unacceptable behaviour by fellow staff members in the past year (-4 percentage points)
- Q38: The work I do is challenging (in a positive way) (-3 percentage points)
- Q36: My pay is fair reward for my work (-2 percentage points)

There are six questions on EDI where non-white staff respond less favourably and three where they are more positive.

It is complex to review the responses as they vary across campuses and job roles so the twilight session will give more time to do this when more analysis has been done. The discussion will focus on fundamentals rather than the detail and look at what would give staff more favourable conditions. This will be challenging as it will centre on pay, working conditions and IT equipment.

Governors asked how many senior team members have resigned. Karen Redhead said that many of the resignations are to seek opportunities elsewhere but outlined the following:

- Assistant Principal – an internal senior manager will be acting up so the College is confident
- Director of People and OD – interim HR director to start on 17 October and recruitment starts on Friday (whilst not a senior manager, the Head of HR Operations has also resigned)
- DP Strategic Planning and Communications- recruitment is underway
- Director of Estates and Infrastructure (to be split into Director of Estates and Infrastructure and Director of IT and Digital Innovation) – interviews will take place in December
- Director of Governance – recruitment is underway

Karen Redhead said that this has a considerable impact on her as she has lost two direct reports. It was noted that staff turnover is considerable across the sector and indeed in other sectors too.

Governors welcomed the opportunity for the twilight session and would like to also focus on the positive outcomes of the staff survey. The participation rate is significantly increased, and it may be that this engagement has led to the drops. The Committee asked how the College will unpack the survey and discover the reasons behind it. Karen Redhead said the College presents to the JNC, runs staff forums, has a corporate communication email and uses the staff newsletter as a conduit. Jon Roe said that it can be useful to consult the staff on their responses and this bottom-up feedback is critical to understanding whether the planned interventions will be effective. There are issues that come out in exit interviews which are also considered.

12

**Annual People report**

Karen Redhead presented the report which provided updates against the five areas of strategic focus for the People function.

	<ul style="list-style-type: none"> <li>• The turnover reported is out of date and is now much higher.</li> <li>• There are two million fewer jobseekers in the country and all employers are struggling.</li> <li>• Vacancies have increased since this report and the College has to go out more than once to fill them.</li> </ul> <p>Governors asked if there is a greater difficulty in recruiting some employees than others. Karen Redhead said that last year she would have identified some specific areas such as maths and English lecturers, but all areas are problematic currently. The Committee asked how stable the remaining senior team is and if there is a succession plan for them if required. Karen Redhead is assuring those left that they are not expected to pick up any lost capacity. She is working with David Warnes' team to involve them in recruiting the replacement. The team is monitoring the position very closely.</p> <p>The Committee asked if the College is looking at internal promotion for recruitment solutions. Karen Redhead said, where possible, this is used as it is recognised that this can be a motivator. The College currently has 50 vacancies which equate to 37 FTE.</p>
13	<p><b>Gender Pay Gap report</b></p> <p>Karen Redhead presented the report which will be published and invited questions. It shows the College has a slightly lower gap than both the UK average and the FE sector. It has however increased from last year but it was recognised that comparisons are problematic as there is an issue of continuity of reporting mechanisms.</p> <p>The area with a larger pay gap is evidenced in the category of support staff which ranges from the CEO to the lowest paid people in the College. The College is positive in its EDI in recruitment. KR believes that the gap is due to the predominance of females in the part-time, lower paid support staff areas.</p> <p><b>AGREED: THE FINANCE AND GENERAL PURPOSES COMMITTEE AGREED TO RECOMMEND THE GENDER PAY GAP REPORT TO THE BOARD</b></p>
14	<p><b>Policies</b></p>
14.i	<p><b>Finance regulations inc. Treasury management policy</b></p> <p>Anil Nagpal reported that the Finance regulations have been updated and mostly for changes in terminology/titles and changes to approvals to tighten controls.</p> <p>Ra Hamilton-Burns suggested that the wording 'within the budget agreed by the Board' be added to the signatory approvals limits.</p> <p><b>AGREED: THE FINANCE AND GENERAL PURPOSES COMMITTEE AGREED TO RECOMMEND THE FINANCE REGULATIONS TO THE BOARD WITH THE AMENDMENT OUTLINED</b></p> <p>Anil Nagpal invited Committee members to send any updates to the Treasury management policy by 10 October 2022.</p>



	<b>AGREED: THE FINANCE AND GENERAL PURPOSES COMMITTEE AGREED TO RECOMMEND THE TREASURY MANAGEMENT POLICY TO THE BOARD WITH ANY CHANGES INCLUDED THAT ARE SENT TO ANIL NAGPAL BY 10 OCTOBER 2022</b>
14.ii	<p><b>Health and Safety Policy</b> Anil Nagpal presented the policy update with no significant changes but with reference to Covid and format changes.</p> <p><b>AGREED: THE FINANCE AND GENERAL PURPOSES COMMITTEE AGREED TO RECOMMEND THE HEALTH AND SAFETY POLICY TO THE BOARD</b></p>
15	<p><b>Freedom of Speech</b> This report will go to the Curriculum and Standards Committee.</p>
16	<p><b>Any other business</b> There was none.</p>
17	<p><b>Evaluation of the meeting</b></p> <p>It was noted that the Committee had included:</p> <ul style="list-style-type: none"> <li>• Excellent discussions</li> <li>• Pertinent challenge</li> <li>• KR thanked the Board.</li> </ul>
18	<p><b>Date of next meeting</b> 29 November at 18.00 – this meeting will overlap with the Audit Committee meeting to discuss the annual statements and reports.</p> <p><b><i>The meeting closed at 19.55</i></b></p>