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EALING, HAMMERSMITH AND WEST LONDON COLLEGE FE CORPORATION

Meeting	**FINANCE & GENERAL PURPOSES COMMITTEE**		
Date	04 April 2019	**Time**	18.00
Venue	Hammersmith and Fulham College, Room LT3, Gliddon Road, London W14 9BL		
Chair	Phillip Kerle		

Present: Phillip Kerle; Ian Comfort[1]; Peter Chapman; Karen Redhead (CEO & Principal)

In attendance: Anil Nagpal (Executive Director, Finance & Resources); David Warnes (MD, Evolve Learning); David Round (Clerk to the Corporation)

Attendance at meeting = 100%

	FINANCE AND GENERAL PURPOSES COMMITTEE MINUTES 04 APRIL 2019
1.	**APOLOGIES FOR ABSENCE** Apologies were received from Laurie Morley (Projects Director). The Clerk confirmed that the meeting was quorate.
2.	**DECLARATIONS OF INTEREST** None.
3.	**MINUTES** The previous minutes from 30 January 2019 were approved as a correct record.
4.	**MATTERS ARISING** All matters arising from the minutes of the previous meeting were the subject of agenda items to be discussed at today's meeting.
5.	**SUBCONTRACTING REPORT** David Warnes (Member of the College's Senior Leadership Team and MD of Evolve Learning) attended for this item. A detailed report was presented to the Committee regarding the management, oversight and performance of the College's subcontractors. It was noted that: - • The College contracted with 7 subcontracting partners • Subcontracted provision met local needs and augmented the College's curriculum offer

[1] By video conference.

- The sectors covered by subcontracting partners included ICT, Health and Social Care, Functional Skills, Customer Service, Employability, English, Digital Skills, Stewarding and Security, Enterprise skills, Education, Library Services and Archiving.
- 38% of the College's Adult Education Budget (AEB) was subcontracted; 3% of apprenticeship provision was subcontracted.
- The College levied a standard 20% management fee.
- The risks associated with subcontracting were mitigated by effective contract management and quality assurance procedures.
- Rigorous and detailed due diligence was undertaken prior to the agreement of contracts.
- Monthly monitoring meetings took place with each subcontractor; risk assessments evaluated the performance of all subcontractors in terms of administration and compliance, quality improvement, contract delivery KPIs and an overall RAG rating was determined.

Further to the discussion at the previous meeting of the Committee, an update was given about the status of the relationship with SCL, which was subject to audit by the ESFA. The outcome of this was unknown at the present time. The Committee was assured that appropriate safeguards had been taken in relation to payments to this subcontractor.

In reporting the delivery profiles of partners, it was noted that amendments had been made in-year to reflect delivery patterns and also to adjust for the impact of the suspension of SCL delivery. Members of the Committee asked whether the College was concerned at the number of amber RAG ratings in relation to contract delivery in particular. David Warnes confirmed that the College was confident it would achieve the target allocation for subcontractors.

The Committee reviewed the impact of the devolved AEB and its impact on the College in relation to subcontractors. It was noted that a number of the subcontractors were eligible to bid for contracts direct with the GLA and other devolved authorities, which could impact negatively on the College for future delivery. This matter would need to be kept under close review. It was also noted that the College's correct strategy of prioritising delivery to meet local community need in the past year in preference to national subcontracting could have a (worst case) impact of a loss of AEB allocation next year in the region of £1.3m. This was because the 2019-20 AEB allocation was split between work conducted in devolved regions and non-devolved regions in 2017-18. In the current year 98% of adult delivery was in the GLA area compared to 61% in 2017/18. Funding allocations in the coming year were being transferred to the GLA based on the 2017-18 profile and the ESFA funding balance could only be used for delivery outside devolved regions. The College had grown its AEB delivery in London in the current year via direct delivery and subcontracting. Discussions had been held with the ESFA and GLA to make a special case for an increased GLA delivery allocation but the current position was that the ESFA had no further funds for distribution. A

	decision from the GLA was still awaited. The net effect was that that perversely the College would need to consider increasing the volume of out of region working. The College had also submitted a funding bid to the West Midlands authority in relation to training linked to the Commonwealth games in Birmingham in 2022. The Committee was advised that the College was anticipating having to make further savings next year to compensate for the potential loss of AEB funding. It was clear that funding arrangements had become highly complex since the introduction of devolution of adult education funding to the combined authorities. **RESOLVED:** that the report on subcontracting be noted. Mr Warnes left the meeting at this point.
6.	**KEY PERFORMANCE INDICATORS** The key financial performance indicators targets based on the College recovery plan were set-out in a report presented to the Committee. It was noted that other indicators relating to the College's efficiency and effectiveness such as staff utilisation, average class size, room utilisation, staff absence/sickness, staff turnover etc. were available. The Corporation would receive up to date KPI reports (ideally monthly) to allow members to monitor and challenge the College's progress towards its targets for financial recovery and long-term sustainability. The current ESFA financial health grade of the College was 'inadequate'. The recovery plan forecast that financial health would improve to 'satisfactory' in 2019/20 and also be 'satisfactory' in 2020/21. One of the key indicators was the proportion of staff costs to turnover. In 2017/18 staff costs represented 89.5% of income. The plan for the current year was to achieve a figure of 75.6%, 69% in 2019/20 and 65% (the sector norm) in 2020/2021. The College was on track to hit the target of 75.6% in the current year. A reduction in expenditure on agency staff of £2m had been achieved so far in the current year. The majority of agency staff were in teaching and teaching support roles. There also needed to be a rebalancing of the number of business support staff to teaching staff in relation to the current and projected size of the College. It was noted that at the recent FE Commissioner's stocktake and ESFA case conference meetings pressure was being placed on the College to reduce the staff cost to income ratio more quickly so that it achieved the sector benchmark sooner. They had urged the CEO to accelerate the 'top down' staffing review, although this had already commenced. The Committee debated the issues involved including the need not to further destabilise the College, to retain capacity for future organic growth whilst ensuring a strategic rebalancing of the budget to ensure long-term sustainability. Voluntary redundancy, the freezing and voluntary fractionalisation of posts had been deployed in the current year since the new CEO was in post.

	The CEO commented that whilst she wished to avoid compulsory redundancies, they could not be ruled out. She had commenced the 'top down' review of staffing as described in the College Recovery plan and it was expected that consultations with the trade unions would take place about a small number of compulsory redundancies in this academic year. The Committee discussed the number of posts at potential risk and the impact on the College. The impact would largely be in the support staff area. The structure was top-heavy and no longer appropriate to the current size of the College. The Committee requested that a dashboard-style KPI document be produced as soon as possible **(ACTION: AN).** **RESOLVED:** that the KPIs report be noted.
7.	**MANAGEMENT ACCOUNTS AS AT JANUARY 2019** Management accounts for the month ending January 2019 were received by the Committee; the February accounts were also available and were discussed. The format of the management accounts followed best practice. They were also now aligned to the budget targets in the College recovery plan. It was noted that: - • The College's cash position remained very tight but the previously circulated rolling cash flow projections including and excluding projected capital receipts had shown that the College retained a positive cash flow even if there were delays in the receipt of monies from the disposals. • The cash position was being managed on a daily basis. • The College continued to rely on Exceptional Funding Support (EFS) until March 2019. One of the conditions of EFS was that the College has to operate with almost no cash headroom. Cash management would continue to be difficult until the monies from the planned disposals were received. • The number of cash days in hand was currently 14 days against the year-end forecast of 6 days. • The YTD variance against budget was a shortfall of £203k. Total income was £1,309k below the YTD forecast; pay expenditure was £291k above the YTD budget whilst non-pay expenditure was showing a positive variance of £1,397k. • The shortfall in forecast income was largely attributed (80%) to Adult Education Budget (AEB) from direct delivery work and subcontracting, particularly the impact of the suspension of delivery from SCL and the need to manage the cash position of the College. • The College was confident that the shortfall in AEB delivery would be rectified before year end and it would achieve 97% of the contract value, thus avoiding any possible clawback. • The TTD pay costs were above budget in the College recovery plan by £291k which was largely attributable to the engagement of agency staff providing teaching and teaching support. Extensive work was being undertaken with curriculum managers to

	drive up staff utilisation and resolve timetabling issues, which will result in significant reductions in agency teaching numbers in future months. Prompt action has been taken and senior managers have been instructed to undertake a further review with their teams to cut agency staff to the absolute minimum required and set a reduced cap of maximum monthly hours for each agency worker. • Full year forecast savings in the payroll staffing budget were estimated at £900k at year end. • YTD non-pay costs showed a positive variance of £1,397k. This was largely attributable to under-spend on subcontractor payments. • The forecast outturn remained on track with a deficit of £2,656k. There remained risks to income and expenditure amounting to circa £1,500k which will need to be carefully managed through the remainder of the year. • A sensitivity analysis was available, based on the ESFA template. • College financial information was scrutinised in detail by the ESFA and the FE Commissioner's office. In discussion the Committee was advised about the 'pinch points' in the cash flow across the year. ESFA income was profiled and additional ESFA payments would be received in May. It was planned that the EFS would be repaid in the current year, pending the receipt of the income from the disposal from the Southall project. There was discussion about when this could be expected which could be later than the forecast June date. The Committee was advised that the College remained a going concern. Governors noted the difficulties with the current College accounting system. The production of monthly management accounts required significant amounts of manual intervention. The College was able to produce monthly accounts about 3 weeks after the month end. There were considerable pressures on the finance team at the College which is a small team and needs strengthening. The EDFR was examining the skillsets of the team and would be looking at structures going forward. **RESOLVED:** that the management accounts for January 2019 be noted.
8.	**COLLEGE RECOVERY PLAN** The updated College recovery plan progress tracker was noted. A number of changes in the RAG rating scores in the progress tracker were highlighted viz. **Governance:** the Governance RAG profile is unchanged but still well progressed and with actions planned to shortly turn the two Amber/Green assessments to Green. The recent FE Commissioner stocktake and ESFA case conference confirmed that regulators were pleased with the progress in this area.

Senior Leadership: the assessment in relation to curriculum leadership had been downgraded from Green to Amber/Red following the resignation of the newly-appointed former Deputy Principal for Curriculum and Quality. This was a set-back but this was offset by the re-engagement of the previous interim who was highly experienced and skilled and worked well with colleagues across the College. The action in relation to the strengthening of financial management at senior post holder level had been progressed and had been moved from Amber/Green to Green.

The Committee noted the difficulties faced by the College in recruiting high calibre senior staff. This reflected the difficult position of the College despite attractive salaries but also general recruitment difficulties in the sector and in London. The College was working with an agency to mount a high quality campaign to recruit the replacement to the Deputy Principal (Curriculum and Quality) post but they were unlikely to take up their post until the new academic year.

Market Assessment and Opportunities: the College had struggled to recruit an industry specialist to manage the development of the construction specialist centres, which was critical to its future growth and the delivery of skills in the area. It had now interviewed and offered the role to a good candidate and they were awaiting the outcome. This was assessed at Amber/Red at the moment but the College believed that progress was being made.

Workforce Reform: This continued to be a priority area and the CEO was giving it considerable focus. The RAG profile remained unchanged but the top down review was now fully underway to secure further savings in order to meet the challenging target of 65% staffing cost to income percentage that is required. The CEO noted the situation in relation to the pressure to implement compulsory redundancies and the 'top down' review of staffing, which had already commenced as noted earlier. She highlighted the significant savings in the pay budget – a saving of £3,000k by year end was anticipated.

The Committee welcomed the progress on the recovery plan and asked what it could do to support the CEO to move the Amber/Reds and Amber/Greens to Green. It was commented that strengthening of the finance team (systems and people) was required. Implementing a new system in the current year with the additional information required by the ESFA and FE Commissioner's Office, the pending IBR and the tax digital changes was probably not realistic at the current time.

The pressure being applied by the FE Commissioner's office to accelerate the progress on workforce reform was noted but considerable progress was being made i.e. reducing the deficit from £10,874k in 2017/18 to £2,656k in 2018/19 was a major move towards sustainable recovery for the College. Securing the confidence of the regulators that the

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	College was on course to recovery was key and the Committee believed the CEO and her team were working well to deliver this. There was a 3 year plan to recover the College's share in the local area by achievable growth linked to the key regional skills agendas. Some of the actions of the previous administration of the College had been to reduce provision for young people in the larger population centres for young people and where growth was possible when the demographic up-turn had taken effect in the next few years. **RESOLVED:** that the update on progress in delivering the College curriculum plan be noted.
9.	**ESTATES STRATEGY UPDATE** An update was given about the status of the College's estates strategy. It was noted that: • The College had recently been advised that the application for the listing of the Hammersmith campus had been rejected by Historic England. The College was taking appropriate actions to preserve the status of the site. • The College was maintaining good links with residents and was very keen to demonstrate its commitment to being a good neighbour in terms of the development of the scheme. • The Hanson Gardens sale was progressing according to plan, subject to the matters reported to the Committee. • The marketing of the Southall block for sale was progressing. The College was working positively with local stakeholders. • The outcome of the GLA capital fund bid was awaited. **RESOLVED:** that the estates strategy report be noted.
10.	**ANY OTHER BUSINESS** There was no further business and the meeting ended at 19.35.
11.	**DATE OF NEXT MEETING** The next meeting would take place on 15 May 2019 at 18.00.

Chair's signature ....

Date ....12/06/19...............

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