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EALING, HAMMERSMITH AND WEST LONDON COLLEGE FE CORPORATION

Meeting	**FINANCE & GENERAL PURPOSES COMMITTEE**		
Date	24 September 2019	**Time**	18.30
Venue	Hammersmith and Fulham College, Room LT3, Gliddon Road, London W14 9BL		
Chair	Phillip Kerle		

Present: Phillip Kerle; Ian Comfort; Peter Chapman; Karen Redhead (CEO)

In attendance: Anil Nagpal (Executive Director, Finance & Resources); David Warnes (MD, Evolve Learning) [1]; David Round (Clerk to the Corporation)

Attendance at meeting = 100%

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1.	**APOLOGIES FOR ABSENCE** Laurie Morley (Projects Director) tendered his apologies. The Clerk confirmed that the meeting was quorate.
2.	**DECLARATIONS OF INTEREST** Mr Chapman declared an interest as a consultant of Cluttons LLP. It was noted that Cluttons had prepared the independent valuation of the Southall site following a formal procurement process. Mr Chapman had not participated in the procurement process. The Clerk advised that the declaration of interest should not preclude Mr Chapman from participating in the discussions concerning the estates strategy report on the agenda.
3.	**MINUTES** The previous minutes from 10 July 2019 were approved as a correct record.
4.	**MATTERS ARISING** The matters arising report tracking actions from the previous minutes and other items carried forward was received and noted. All matters were covered on the meeting agenda. Other matters of report were as follows
5.	**SUBCONTRACTORS 2019/20** David Warnes attended for this item. A report was presented to seek approval for the proposed contracts for subcontracting for 2019/20. All subcontractors had worked with the College in 2018/19. Details of their delivery performance in 2018/19 (financial and quality

[1] For the subcontracting report only.

	indicators) were noted and risk assessed. The performance of the proposed subcontractors was considered to be very good. The total subcontracting budget for 2019-20 was £4,000,000. The total value of contracts commissioned to date was £3,940,400. The remainder of the budget had been held back to engage a specialist provider to subcontract delivery of niche provision at the West London Construction Academy, part of a wider strategy to refresh the offer at that site. The necessity to split contracts between those funded through the Greater London Authority (GLA) devolved administration and the ESFA introduced administrative complexity. In response to questions from the Committee, the College confirmed that a proportion of funding was dependent upon achievements. **RESOLVED:** that the subcontractors for 2019/20 be approved subject to Board sign-off at the meeting on 17 October 2019. Mr Warnes left the meeting at this point.
6.	**KEY PERFORMANCE INDICATORS** This item was deferred pending the development of an online dashboard system.
7.	**ESTATES STRATEGY REPORT** **{REDACTIONS ON THE GROUNDS OF COMMERCIAL CONFIDENTIALITY}** The Committee received detailed papers comprising: - 1. Estates strategy update report focusing in particular on the Southall disposal 2. Independent valuation report – Southall options (Cluttons LLP) 3. Reviewed Costings for a) refurbishment of Southall Blocks A&B and b) the creation of a Motor Vehicle Engineering facility (Fusion Project Management/Laurie Morley) – updated from College Estates Strategy 4. Extract of minutes from EHWLC Corporation meeting held on 17 July 2019 5. Mini investment appraisal – new Motor Vehicle Engineering facility in the event of disposal of Main Block The Committee noted that the independent valuation of the Southall disposal options confirmed that the proposals currently on the table were broadly in line with realistic current market values. It was also noted that valuations could deteriorate given the current uncertainly in the residential housing market. Taking account of the costs of moving out of the main block at Southall into the smaller A&B blocks and relocating motor vehicle engineering, the net receipt arising from a sale of the main block would be very close to the offer currently on the table for the smaller A&B block. It was also note that the investment appraisal of relocating motor vehicle engineering from its current location in the main block at Southall would take over 9 years to recoup its costs. An update was presented to the Committee regarding the ESFA case conference earlier that day which had discussed the matter of the Southall campus options. The CEO gave a

verbal report about the meeting which had also been attended by the COO and the Clerk. She noted that it was a positive meeting which built on the discussions that had taken place with the FE Commissioner and his team the previous week. The agency was updated about the findings from the independent valuation report and the available options. They had recognised the additional costs that would be incurred from the disposal of the main block at Southall and that taking account of these costs, the net capital receipt available to the College would be very close to the amount that would accrue from the disposal of the smaller A&B block which was currently empty and unused. The CEO commented that the College had pointed out that either option would severely limit the capacity of the College to make a repayment of the EFS debt in the short term. Her impression was that the agency understood this issue. Nonetheless, the agency insisted that the decision was one for the Board to make. It was also noted that the agency had not given its formal agreement to the request to re-profile funding payments to the College in 2019/20 and had again requested additional information. The CEO noted that the Head of Territory at the ESFA had agreed that the agency had been slow in responding to the College's request for re-profiling which had been made in July.

There was extensive discussion by the Committee about the report from the meeting and the implications for the important solvency matters facing governors. It was commented that there remained a lack of clarity from the ESFA on the matters of the re-profile request and EFS repayments. The lack of clear information and delays in decision making by the agency meant the risks of insolvency were increasing.

Taking account of the forecast net capital receipt from the Southall disposal and the financial recovery plan, the Committee asked what the College considered to be a realistic repayment plan for the EFS debt. The COO commented that the College could afford a repayment over a term of 10 to 15 years. Independent members of the Committee commented that until the College had received a statement of the ESFA's position in relation to the re-profiling request and EFS repayment in writing, the Board was unable to make informed and wise decisions. If the College had to make a repayment of the EFS debt in the short term its only option would be to sell the main block, withdraw from offering motor vehicle engineering and lose significant income (£365k in 2019/20). It would have to undertake a very limited refurbishment of blocks A&B. This would severely limit the capacity of the College to respond to the opportunities that would arise from growth in the area through the building of Cross Rail and the major redevelopment taking place in the centre of Southall. This option, it was considered, would not be in the best interests of the College in the longer term.

Members of the Committee were strongly of the view that the College needed to write to the ESFA as a matter of urgency to request that the agency set out its position in relation to the re-profile and EFS repayment matters in writing so that the Board was clear for its meeting on 17 October. The agency should be requested to respond formally in time for

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	papers to be issued prior to the meeting of the Board. The focus had to be on the duties of the governors in relation to the insolvency risks. The CEO noted that the ESFA had indicated at the meeting that it would be commissioning an Independent Business Review (IBR) in the very near future. The IBR had been delayed because of procurement difficulties at the agency. The IBR would look again at the estates options available to the College as well as reviewing the financial recovery plan. The College was not convinced of the value of undertaking an IBR at the current time – a view echoed by the FE Commissioner; however the ESFA insisted it was essential in order to assess the viability of the College going forward. The IBR would also be highly disruptive to the College at the current time because of the other pressures on the College's finance team dealing with year-end and audit and taking into account the fact that over half the team were interims. Members of the Committee were updated about available options in the events that the ESFA was unable to confirm its position in relation to a re-profiling of funding payments for 2019/20. The COO summarised the options for short term financing up to the value of £6m. The costs of such a facility were expensive and included a set-up fee of £70k. It was confirmed that the College's bankers, Barclays, would not provide such support to the College whilst it remained in administered status. The Committee discussed their unease about making a clear recommendation in relation to estate matters whilst the ESFA had still not confirmed new arrangements for re-profiling of funding allocation payments and repayment of the EFS debt. Following discussion it was agreed to make the following recommendations to the Board: - 1. That the Board approves the sale of blocks A&B at the Southall site for [redacted] and 2. That the College writes as a matter of urgency to the ESFA advising the agency of its proposed recommendation and requests that it expresses any concerns it may have in writing in a timely way so that the Board can be suitably advised in advance of its meeting. It was also agreed that the COO should urgently progress putting in place a short-term financing facility that can be initiated after the Board meeting on 17 October, if required.
8.	**MANAGEMENT ACCOUNTS AS AT JULY 2019** Management accounts for the month ending July 2019 were received by the Committee. Cash flow forecasts with and without capital receipts were made available; a sensitivity analysis was also provided. The accounts and forecast year end position showed that the underlying financial position was for a deficit of £2,460K against the budgeted deficit of £2,656K. This represented a favourable overall variance of £195K against budget in what had been a challenging year. Key features of the accounts were as follows: - • The outturn for income is projected to be £52K ahead of forecast. • Pay costs are projected to come in at £58K below budget

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	• Non-pay costs are £85K below budget. • The combined variances add up to £195k overall positive position against budget. • The finance department continued to manage working capital, and in particular cash inflows/outflows and cash balances, very carefully. It was reported that the outturn was presented before accounting for pension liabilities as per FRS102 valuation and report. The pension adjustment was projected to add an additional £2.0m in cost to the bottom line for the purposes of the financial statements. This was a non-cash item, which is based on a set of assumptions defined by the actuaries. It was further noted that in accordance with management accounts good practice guide for Further Education Colleges, pension adjustments should be excluded from management accounts since colleges generally have minimal influence over the FRS102 adjustments and such data tends to be available only for annual financial statements. The Committee was clear that the cash flow forecasts indicated that the continuing financial viability of the College as a going concern was dependent upon the realisation of the planned disposal at Southall. Delays in the completion of the sale would become critical at the end of the autumn term (November/December). The Committee commended the COO and the finance team for its excellent work in producing monthly management accounts on time and for the forecast year end position, which was ahead of budget. **RESOLVED:** that the July 2019 management accounts be noted.
9.	**COLLEGE RECOVERY PLAN & REPORT FROM FE COMMISSIONER'S STOCK TAKE VISIT, 13 SEPTEMBER 2019** The CEO reported that going forward the College recovery plan would be reported via the annual College operational plan aligned to the strategic plan once approved. She gave a summary of the findings from the FE Commissioner's visit on 13 September: • The College was making good progress overall • The impact of the leadership of the College was positive and well received by staff across the College • Effective governance was now well embedded • The leadership of the finance function at the College was excellent and the team had taken effective control of the College finances. • There had been very good appointments to key roles such as the Head of Management Information Systems and the new Assistant Principals for Quality and Ealing • The difficulties in recruiting to the role of Deputy Principal (Curriculum and Quality) were acknowledged • The culture and atmosphere of the College had improved significantly

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	• The requirement to revisit the estates strategy in light of recent events was acknowledged. It was good that the College had resisted being drawn into a 'fire sale'. • The College should look closely at the Park Royal College lease agreement to see if there is any opportunity to get out before the break clause point. • The biggest creditor of the College was the ESFA for the EFS and agreement of re-profiling was needed urgently. • Good leadership and management actions had been taken to improve quality including the closing of engineering programmes, consolidating science onto one site at Ealing and the 42 day strategy to improve early withdrawals. • Curriculum managers had accepted the decision to reduce their remission from teaching. • There were some timetabling teething problems, partly to do with over-recruitment in some courses, but these were being worked through. • The College was congratulated on its success in growing its high needs provision and for developments with inclusive apprenticeships. • The next visit of the FE Commissioner's team would be in January 2020.
10.	**POLICIES: FINANCIAL REGULATIONS** The COO explained that the Committee would normally be requested to consider a review of the College's financial regulation for approval by the Board. The review had been delayed because of the pressures on the College's finance team. Nonetheless, he had asked the College's internal auditors to undertake a review of the current regulations as part of its annual programme and that a report would be considered at the next meeting of the Audit Committee. Following that review, updated regulations would be presented to the Committee.
11.	**UPDATE ON ANNUAL REPORT & FINANCIAL STATEMENTS, 2018/19** The COO gave a verbal update about progress in preparing for the audit of the annual report and financial statements for 2018/19. He fully expected the work to be completed in time for review by the Audit and Finance and General Purposes Committees in December prior to presentation to the Board for approval.
12.	**ANY OTHER BUSINESS** There was no further business and the meeting ended at 19.45
13.	**DATE OF NEXT MEETING** The next meeting would take place on Tuesday 10 December 2019 at 18.30.

Chair's signature .... **Date** 10/12/19 ....

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