

EALING, HAMMERSMITH AND WEST LONDON COLLEGE FE CORPORATION

Meeting	FINANCE & GENERAL PURPOSES COMMITTEE		
Date	10 December 2019	Time	18.30
Venue	Hammersmith and Fulham College, Room E351, Gliddon Road, London W14 9BL		
Chair	Phillip Kerle		
Present: Phillip Kerle; Ian Comfort; Peter Chapman; Karen Redhead (CEO)			
In attendance: In attendance: Anil Nagpal – Chief Operating Officer (COO); Andrew Scott – Human Resources Director (HRD) for item 5; Sarah Connerty – Governance Adviser			
<i>Attendance at meeting = 100%</i>			

FINANCE AND GENERAL PURPOSES COMMITTEE MINUTES 10 DECEMBER 2019	
1.	APOLOGIES FOR ABSENCE Apologies were received from David Round. The interim 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 24 September 2019 were approved as a correct record.
4.	MATTERS ARISING The matters arising report tracking actions from the previous minutes were received and noted. Other matters of report were as follows: <ul style="list-style-type: none"> • Opportunities in relation to potential disposal before the break clause. The CEO reported that the estates section of the IBR has just been completed and an interim discussion has taken place with the COO and CEO. Following discussions it was agreed that BDO would present directly to the Board in the spring term. • The CEO reported that the ESFA have tightened up the funding rules in relation to subcontracting. The Deputy Principal will re-present the subcontracting report to the

FINANCE AND GENERAL PURPOSES COMMITTEE MINUTES 10 DECEMBER 2019

Board alongside a review of the extent to which the Board is meeting its obligations around the new funding rules. The report is going to Audit Committee on Thursday.

- Financial Regulations – the COO reported that the Regulations required review and he has committed to updating early in the New Year. In the interim Mazars have carried out a review of the existing regulations and confirm that updates are required.

5. HR REPORTS

(Human Resources Director (HRD) arrives 19.08)

5.1. Staff Absence and Labour Turnover Report

The HRD reported on the figures for 2018-19 and 2019-20 against national average and College targets. Key points included:

- Sickness absence for all staff categories in 2018-19 was below the national average and target
- Labour turnover for academic staff is low
- Labour turnover for support staff in 2018-19 rose to 20% against a target of 18% and a national average of 19.8%. The HRD reported that there had been a restructure in Business Support which may have led to support staff feeling at risk
- Manager turnover shows 11 out of 30 managers leaving in 2018-19, 22% against a target and national average of 15%. A further three have left this year. The Committee questioned the reasons for the high turnover of managers and whether there were any identified causes. The HRD reported the turnover was voluntary and the most likely cause is staff feeling at risk of redundancy.

5.2. Public Interest Disclosure Policy (Whistleblowing)

The HRD noted that the policy has been updated to reflect legislation more accurately, clarify processes and to update personnel.

The Committee considered the updates and the following updates were recommended:

- 5.6 – update to read *The Clerk will be responsible for notifying the Chair of the Corporation and CEO where appropriate.* The interim Clerk reminded the Committee that the CEO is the nominated person in the policy for an appeal (item 6.9) and it was agreed that this would not be an issue
- There was a discussion about the process regarding anonymous disclosures and the importance of treating them appropriately. It was agreed that the wording in 7.2 should be updated to read *In order to investigate the disclosure it may be necessary to disclose the name of the person who has made the allegation to those who are being investigated. If permission is withheld this may be a reason to review further proceedings.*

RESOLVED: The Committee recommended to approve the updated Public Interest Disclosure Policy (Whistleblowing) subject to the amendments above.

(HRD departs at 19.31)

6. KEY PERFORMANCE INDICATORS

This item was deferred pending the development of an online dashboard system.

FINANCE AND GENERAL PURPOSES COMMITTEE MINUTES 10 DECEMBER 2019

7. MANAGEMENT ACCOUNTS AS AT OCTOBER 2019 INCLUDING CONFIRMATION OF GOING CONCERN

Management accounts for the month ending October 2019 were received by the Committee. The COO reported that the monthly transactions are in line with budget and there are no declared variances at the moment. Some risks are starting to emerge and the Committee asked for details of these. The COO noted that these include pressures on utility costs which are higher than anticipated. The CEO explained that there will be funding in year to address the TPS costs. A close eye is being kept on all income streams by the COO, CEO and team.

The COO reported that at present the College is just running to budget. The forecast is reviewed regularly and there are regular rounds of meetings with all budget holders. He noted that this year will be another challenging year for the finances.

The COO explained that the College is working closely with the ESFA/PMO to finalise arrangements for further borrowing of up to £4m that will provide the basis for financial stability for the College in the medium term. This is in addition to the £8.5m of Exceptional Financial Support (EFS) already received. The full amount of up to £12.5m will be in the form of an interest bearing loan. The interest is not currently in the forecast; the agreement is currently with the College lawyers and interest will be effective from the date the loan is realised.

The cash flow position has improved slightly with a current cash balance of £3.7m. The position remains extremely challenging and the Committee voiced concerns about the very tight position in February 2020 prior to the deficit in March and April 2020. This would be adversely affected if there are any further delays in exchange of contracts and completion date for sale of blocks A&B). The CEO noted that the College has been in discussion with the PMO who are aware of the position and have offered assurance verbally around draw down in January if necessary. The COO agreed to check the current position on exchange and completion and whether the purchaser is a cash buyer and report back to the Committee. The target date for completion is 17 January 2020 and the date for exchange was due to be 6 December.

RESOLVED: The Committee noted the October 2019 management accounts.

8. STRATEGIC RISK REGISTER

The COO presented the Strategic Risk Register and noted that it has been significantly updated to include all areas of the College and is reflective of the current climate. The Committee asked for details of the new risks and the COO reported that risks around cyber security, subcontracting, data and apprenticeship provision are now included on the register. The CEO reported that controls and commentary updates have been overhauled to include current information. She noted that the register is a baseline of the College's position with a hope that going forward the register will show positive movement.

RESOLVED: The Committee noted the updated Strategic Risk Register.

9. ANNUAL REPORT END AUDITED ACCOUNTS 2017-18

The COO noted that a draft set of accounts is currently ready and awaiting final review by the RSM partner. The COO tabled the Consolidated Statements of Comprehensive Income and Expenditure and the Reconciliation of Draft Outturn in Financial Statements 2018-19 for the Committee to consider and he presented the findings. Key points included:

- The deficit for the year is £8.052m before actuarial loss on the pension scheme
- The profit on disposal of assets is £555k
- The management accounts as at July 2019 included a £2.46m deficit. This then reduced to £2.2m due to strong performance and being ahead of budget ,
- Adjustments to accounts because of historical issues meant that the draft outturn position had moved from the forecast; these were mostly non-cash items.

The Committee noted that it was disappointing that the balance sheet was not cleaned up last year. The CEO noted that the College was not in a position at this time in terms of personnel and capacity. The COO explained the change as follows:

- Increased pension costs of £2,030m which were expected
- A series of adjustments net £4.4m (see analysis below) increasing the outturn to £8.6m
- With the profit of disposal of assets at £555k this reduces the figure to £8.1m
- There are significant audit adjustments of £4.4m as follows:
 - Write back all Hammersmith and Fulham Project to I&E (£8,654k)
 - Reverse 2016-17 impairment to I&E £5,382k
 - Reverse 2017-18 impairment to I&E £2,001k
 - Additional depreciation on impairment reversal (£633k)
 - SCL clawback (£2,047k)
 - Subcontractor refund provision (£244k)
 - Other audit adjustments of (£205k) which were available for the Committee to view. These are mostly non cash and include regularising issues such as dilapidations and the lease with WLCA.

The COO explained that the figures detailed a worst case scenario in respect of the two subcontractor issues. The CEO noted that the ESFA have been kept fully up to date on the financial position and she provided an update of discussions to date. The COO confirmed that the interim report notes that any money clawed back from the ESFA would not jeopardise the solvency of the College.

The Committee agreed that it was the right position to take to have a much cleaner set of accounts going forward to allow the College to address its financial challenges effectively with new Board and Exec members. The CEO and COO confirmed that all the major audit adjustments were included.

FINANCE AND GENERAL PURPOSES COMMITTEE MINUTES 10 DECEMBER 2019

The COO noted that the statements and letters will come forward to the Board on the 19 December for approval before submission by the 31 December. The College closes on the 20 December and it is hoped that the submission will take place by this date. It was agreed that PR needed sensitive management prior to publishing the accounts on the College website. The Committee suggested that there are clear notes in the commentary of the accounts detailing the figures and the COO confirmed that this was already in place.

The CEO provided an update on the Edudo refund provision and noted that the College has made a commitment to refund student fees where required.

The Committee noted that the final draft version of the financial statements will follow when completed.

9.1 REGULARITY AUDITOR'S MANAGEMENT LETTER AND LETTER OF REPRESENTATIONS

The Committee noted that the letters will follow when finalised by the auditors.

RESOLVED: The Committee recommended to approve the Annual Report End Audited Accounts 2017-18 and the regularity auditor's management letter and letter of representation to the Board.

(Ian Comfort departed at 19.07)

10. POST 16 ACOP REGULARITY QUESTIONNAIRE

The COO noted that this item is deferred.

11. ESFA ASSESSMENT OF FINANCIAL STATUS AND DASHBOARD

The COO explained that the dashboard reflects the College's position from 2015-16 to date with a forward projection in line with the Financial Plan submitted in July. The scoring mechanism rated the College as having a financial status of Ggood by the end of the financial planning period; however, despite the underlying performance being Good the level of debt will mean the financial status falls to Inadequate in 2019/20 as the term of the loan runs until 2023.

The Chair asked that the dashboard is presented to the Board. The COO confirmed that the Board will receive the dashboard and noted that the ESFA produce the assessment twice a year with the next update due around March following submission of the audited accounts.

The CEO explained that the Director of Governance was keen to roll out a dashboard for the Board as soon as possible and the College has purchased a new platform. The CEO and Director of Governance have been working with the Director of MIS and Director of Infrastructure to model KPIs against the Strategic Plan. A draft dashboard is being developed, initially with financial KPIs, and will be brought to the Committee for review.

FINANCE AND GENERAL PURPOSES COMMITTEE MINUTES 10 DECEMBER 2019

12. PROPERTY MATTERS

12.1 ESTATES STRATEGY UPDATE

The COO provide an update on two key items:

- Disposal of Blocks A and B (at the Southall campus) for £4.2m which was approved by the Board in October 2019. The sale is being progressed. The exchange date of 6 December was not met and a revised date has not yet been set. Completion is scheduled for 17 January 2020
- The IBR report on estates. The COO and CEO have received a slide presentation on property related matters and the presentation by BDO and/or PMC will come to the Board in February
- Details on capital expenditure are in the management accounts

RESOLVED: The Committee noted the estates strategy report.

13. ANY OTHER BUSINESS

INTEGRATED FINANCIAL MODEL FOR COLLEGES (IFMC)

The interim Clerk reported that the ESFA have changed the arrangements for the submission of financial plans for colleges by introducing the Integrated Financial Model for Colleges (IFMC). The new model means that from 2020 previous finance returns will be consolidated within one single return with multiple uses. The College Finance Record for the year ended 31 July 2019 will still need to be submitted by 31 December 2019. The submission is an external statutory funding requirement for colleges. In submitting the IFMC the Accounting Officer confirms that the Corporation has approved the IFMC using assumptions which support the Corporation's strategic objectives. The accounting officer also confirms that the supporting commentary has been prepared with due regard to the financial planning checklist.

The Corporation meets on the 13 February so will have the opportunity to consider and approve the IFMC prior to the 28 February deadline to the ESFA.

RESOLVED:

The IFMC to be included in the Corporation's cycle of business from 2020.

The interim Clerk to check with the Director of Governance the possibility of convening an additional F&GP meeting to consider and recommend to approve the IFMC and receive the presentation from BDO/PMR on property related matters.

The Committee noted that the new funding requirements would be onerous for the College in terms of reporting. The COO reported that the College is already reporting on many of the requirements including 24 months of cash projections so will be better placed than many colleges to meet the requirements.

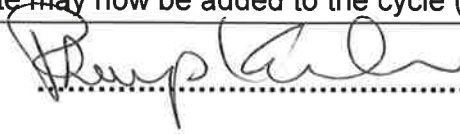
There was no further business and the meeting ended at 19.50

14. DATE OF NEXT MEETING

FINANCE AND GENERAL PURPOSES COMMITTEE MINUTES 10 DECEMBER 2019

The next meeting is scheduled to take place on Tuesday 10 March 2020 at 18.30. A February date may now be added to the cycle (see item 13)

Chair's signature



Date

25/2/2020

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