EALING, HAMMERSMITH AND WEST LONDON COLLEGE
FE CORPORATION

Meeting	**FINANCE & GENERAL PURPOSES COMMITTEE**		
Date	21 April 2020	**Time**	18.00
Venue	Virtual meeting by Google Hangouts/Meet[1]		
Chair	Phillip Kerle		
Present: Phillip Kerle; Peter Chapman; Karen Redhead (CEO); Ian Comfort **In attendance**: **In attendance**: Anil Nagpal – Chief Operating Officer (COO); David Warnes – Deputy Principal, Business Development and Marketing (DPBDM) [2]; David Round - (Clerk to the Corporation);			
Attendance at meeting = 100%			

	FINANCE AND GENERAL PURPOSES COMMITTEE MINUTES 21 APRIL 2020
1.	**APOLOGIES FOR ABSENCE** There were no apologies for absence. The Clerk confirmed that the meeting was quorate.
2.	**DECLARATIONS OF INTEREST** None.
3.	**MINUTES** The previous minutes from 25 February 2020 were approved as a correct record.
4.	**MATTERS ARISING** The matters arising report tracking actions from the previous minutes were received and noted. It was noted that pressure of business had prevented the Finance department making progress in reviewing and updating the College's financial regulations. It was confirmed that there were no major implications arising from a delay in the review as the current regulations were in place and it was a requirement that staff adhered to them.
5.	**KEY PERFORMANCE INDICATORS** This item was deferred pending the development of an online dashboard system.
6.	**SUBCONTRACTING UPDATE REPORT** David Warnes, the Deputy Principal, Business Development and Marketing presented a report to update governors about subcontracting delivery and actions in the current year.

[1] 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.
[2] In attendance up to item 6 only.

The report commented on the following matters: -

- The three new subcontractors approved by the Corporation last month were unlikely to commence delivery in the current year because of the Covid-19 disruption.
- The College has asked subcontractors to review their delivery plans in the light of the Covid-19 public health crisis.
- Details of their revised forecasts were noted: ESFA delivery would reduce from a value of £2,750,000 to £2,500,000; GLA delivery was revised downwards from £990,440 to £810,000.
- A net shortfall in subcontracted delivery of £690,000 was forecast for the current year.
- In accordance with the agreed strategy to reduce the proportion of subcontracting delivery, the College would seek to substitute the lost subcontracting activity with direct delivery via distance/online learning. This area was performing very well and the College had forged strong relationships with the CPD market for schools. Moving delivery in-house would have the benefit of increasing the volume of retained income and impact positively on the bottom line. It would serve to support the achievement of College stretch targets for income.
- Because of Covid-19, the ESFA had confirmed that Adult Education Budget (AEB) would be paid in line with agreed allocations and that no reconciliation and adjustments for performance would be made in the current year. The agency required providers to continue to deliver using online technology wherever possible including subcontractors.

Members of the Committee asked about planning for the next academic year in terms of subcontracting. Would there be further opportunities to switch subcontracting delivery to in-house distance learning provision more swiftly in the light of the Covid-19 crisis which may have a continuing negative impact upon face-to-face delivery going forward? The College reiterated that the strategy was progressively to move more subcontracted provision in-house. The ESFA was consulting on proposals to limit the volume of subcontracted provision for Prime providers including colleges, in addition to other restrictions as reported to the last meeting. The College hoped to increase the volume of distance learning provision particularly for CPD to schools. It should be recognised that competition for this market would probably increase because of the lockdown, particularly from colleges.

RESOLVED: that the report on subcontracting be noted.

David Warnes left the meeting at this point.

7. MANAGEMENT ACCOUNTS

The management accounts as at 29 February 2020 were presented to the Committee. The COO confirmed that the accounts were prepared prior to the government's decisions regarding Covid-19 and the closure of schools and colleges etc. The accounts therefore described the position at the time and did not take account of the impact of the lockdown.

At the time of the finalisation of the February management accounts, it was reported that: -

1. The forecast year-end position (before pension costs) was a deficit of -£1,573k compared to budget forecast of -£371k (variance of -£1,202k);
2. After pension costs, the deficit was forecast to be -£3,603k;
3. The main variances were in non-pay expenditure (+£973k full year overspend), pay costs (+£147k) and income shortfall (-£118k);
4. Non-pay expenditure had been adversely affected by a significant increase in depreciation costs (+£768k) which included the write back of previously impaired assets at the Hammersmith campus made at the time of the 2018/19 accounts;
5. YTD cash days were 71 and 48.3 by year-end, which was in line with forecasts. The significant creditor stretch is starting to be addressed;
6. The current ratio indicator was 1.5 YTD and 1.11 at year end, compared to a target of 2.60. This reflected the increase in gearing because of the EFS loan facility that was now in place;
7. Pay/Income (%) was forecast to be in line with the forecast; and
8. Because of the increase in gearing the financial health score was forecast to decline from ‘requires improvement’ to ‘inadequate’ at year-end.

Detailed analysis of variances were presented in the management accounts commentary.

Members of the Committee discussed the accounts and asked whether the cash flow included the £1.5m additional EFS loan drawdown. The College explained that the cash flow forecast included £1.5m drawdown; however, the College had only received £600k because the DFE had rejected the use of the EFS for pump priming costs to progress the Hammersmith Gateway project and also subcontract liabilities. The College had pointed out that the implementation of the Hammersmith Gateway project was critical to the repayment of the EFS loan. Members also asked about the impact of the Covid-19 crisis upon the plans to reduce the amount of creditor stretch. The College commented that it had been hoped to achieve 30 day payment terms by the end of April; this was now likely to take longer to achieve because of the need to retain cash following the lockdown.

RESOLVED: that the management accounts for February 2020 be noted.

8. COVID-19 UPDATE: FINANCIAL IMPLICATIONS

The COO gave an oral report regarding the initial work to identify the financial implications of the Covid-19 crisis and closure of the College. Since the announcement by the Prime Minister to close schools and colleges from 20 March, College management have given priority to the implementation of strategies to mitigate the main risks facing the College.

	FINANCE AND GENERAL PURPOSES COMMITTEE MINUTES 21 APRIL 2020
	The Finance department has prioritised the collection of income and ensuring that invoicing is up to date. It was noted that the core income streams for young people (16-18 ESFA income) and for adults from the Adult Education Budget (AEB) had been assured for the year by the ESFA and the GLA. In the case of AEB, funding will be paid according to profile and there will be no end of year reconciliation. The agencies expect providers to ensure that students will continue to study using online learning resources etc. The funding of apprenticeships is less assured and providers will not be paid if there is a break in learning although helpfully, furloughed apprentices can continue with their programmes and be funded. The main area of risk was commercial income which included IELTS[3] English language provision for overseas students wishing to progress to universities in the UK, high needs provision funded by local authorities and lettings. There was confidence that high needs funding from local authorities was assured but had yet to be formally confirmed. Work was ongoing to confirm the size of the lost income but it was likely to be in excess of seven figures in the range of £800k-£1.2m. The details would be shared with the Committee as soon as the value of the forecast was validated **(ACTION: AN).** There was discussion of the position in relation to furloughing staff through the government's job retention scheme (JRS). Members of the Committee urged the College to ensure that it utilised the scheme as intended and where appropriate and permitted, it should seek to reduce its staff costs through the scheme. The College explained that 13 hourly paid staff who worked wholly in those areas supported by commercial income had been furloughed to date. Approximately 10% of the College's income was achieved from commercial sources; advice from the Department was that it would be reasonable to utilise the JRS to that level with priority being given to those staff whose work is directly or indirectly attributed to commercial provision. Information from the Association of Colleges indicated that on average most colleges would expect to lose £1m this year because of the Covid-19 crisis; for some colleges that had developed significant commercial income streams and apprenticeships provision, the figure would be much higher. Committee members asked what scenario planning had taken place for the impact of the current difficulties on income next year. Did the College anticipate a major impact on the recruitment of students in 2020/21? The College commented that considerable effort was going into ensuring that existing students engaged with online learning and other forms of support so that the large number of students who would normally be expected to progress to a higher level course at the College did so. College open days and other recruitment events had been moved online and there a virtual open day for construction would take place on 29 April. Enquiries from prospective new students were being received online and by telephone and were being acted upon. The CEO commented that it was her view that the recruitment of 16-18 students would not be significantly affected; the current data

[3] International English Language Testing System (IELTS)

	indicated that applications were slightly down but the College recruited many students as walk-ins. At greater risk was commercial income and apprenticeships in the case of businesses that may not be able to survive. The income from IELTS could also be significantly affected as fewer overseas students may be in the UK. The Committee noted that there may well be opportunities and new markets opening up for the College if there is a prolonged economic impact of the Covid-19 crisis, particularly in supporting retraining for the unemployed. Following discussion it was **AGREED** that a full report would be presented to the Board meeting on 21 May with details of the College-wide impact of the lockdown including financial and curriculum matters **(ACTION: KR/AN).** It was also **AGREED** that the College should review the appropriate use of the Job Retention Scheme and take the appropriate action to safeguard College budgets given the forecast reductions in income.
9.	**INTEGRATED FINANCIAL MODEL FOR COLLEGES (IFMC)** The COO presented an update about the IFMC return. The submission made at the end of February was now clearly out of date. The meeting had discussed many of the risks to income arising from the Covid-19 crisis and as noted, the potential impact was being evaluated but is likely to lead to adverse impacts on a number of the college's income streams. The following issues highlighted some of the key uncertainties: - • Risk to a number of the college's income streams during H2 in the current year as well a potential impact during H1 in the next financial year • Increased cost pressures which are likely to have an adverse impact on a short term to long term basis • Pressure on the cash resources of the college which will need to be assessed following a decline in income and the potential inability to curtail expenditure as quickly as may be required • Uncertainty as to how long the lockdown will go on for and when the economy will re-open and start to pick up • Short to long term impact on a range of our key stakeholders The Board is yet to approve the financial commentary to support the IFMC. Given the high degree of uncertainty of the current situation, the commentary will be presented to the Committee and the Board following the review of the financial impact of Covid-19. The return would be discussed with the ESFA at the scheduled case conference on 30 April. **RESOLVED:** that the update report on the IFMC be noted.
10.	**ESTATES STRATEGY UPDATE** The COO presented a report to update members noting: -

<table>
<tr><th></th><th>FINANCE AND GENERAL PURPOSES COMMITTEE MINUTES 21 APRIL 2020</th></tr>
<tr><td></td><td>
1. the completion of the sale of Southall campus blocks A & B;
2. the current status of the College’s bid to the GLA capital fund in respect of the Hammersmith Gateway project. It was noted that the fund had now closed and the College’s bid would not be taken forward;
3. a smaller capital funding round from the GLA (circa £20m) would become available early in the autumn term and the College would be looking at this for potential smaller projects;
4. the government’s commitment to provide significant capital funding for FE college building project (c.£1.5m) which was made prior to the Covid-19 crisis. It was not known how the commitment would be affected by the impact of Covid-19 on public finances. The College would be monitoring the position carefully; and
5. a ten year plan for an estates-led capital investment was being developed. Details of the plan would be presented to the Corporation in due course but it was hoped to invest £2.3m in 2020/21 and £1.3m in 2021/22, subject to review of the impact of the current Covid-19 budgetary challenges.

Governors asked about the review of the estates strategy undertaken as part of the Independent Business Review (IBR) and when that would be made available to the Corporation. The College commented that the IBR had been commissioned by the ESFA and that the review had yet to be completed. BDO had been appointed by the ESFA to undertake the IBR; they had subcontracted the estates aspects of the review. This piece of work had been largely completed and it had been planned to present the interim findings to the Corporation conference in March which had had to be cancelled because of Covid-19. The CEO commented that one of the recommendations arising from the estates strategy review was that a more granular strategy was required. The College had begun the process to procure a detailed estates strategy. Members of the Committee commented that they would wish to receive a copy of the estates strategy review at the earliest opportunity. They also expressed reservations about the scope and cost of the review commissioned by the ESFA given the recommendation that further work be now commissioned at a direct cost to the College. The CEO commented that she did concur that the estates strategy approved by the Board in November 2018 now required more detail and should be updated.

It was AGREED that the CEO would ask the ESFA to make the estates strategy report available to governors – the College was meeting the agency next week at a scheduled case conference (ACTION: CEO). It was also AGREED that the CEO and the Clerk would review the opportunities for governors to receive a presentation about the estates strategy review in the coming weeks (ACTION: CEO/Clerk).

RESOLVED: that the estates strategy update report by noted.
</td></tr>
<tr><td>11.</td><td>ANY OTHER BUSINESS
There was no further business and the meeting ended at 19.24.</td></tr>
</table>

	FINANCE AND GENERAL PURPOSES COMMITTEE MINUTES 21 APRIL 2020
12.	**DATE OF NEXT MEETING** The next meeting is scheduled to take place on Tuesday 14 July 2020 at 18.00

Chair's signature ………………………………………….. Date………………………….

File ref:	c:\users\user1\google drive\finance committee working folder\fgp 210420\minutes of meeting\fgp 210420 minutes draft.docx
Version history:	V1.