EALING, HAMMERSMITH AND WEST LONDON COLLEGE
FE CORPORATION

Meeting	**FINANCE & GENERAL PURPOSES COMMITTEE**		
Date	14 July 2020	**Time**	18.00
Venue	Virtual meeting by Google Hangouts/Meet[1]		
Chair	Phillip Kerle		

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

In attendance: Anil Nagpal – Chief Operating Officer (COO); David Warnes – Deputy Principal, Business Development and Marketing (DPBDM) Ra Hamilton-Burns – Governance Advisor

Attendance at meeting = 100%

1.	**APOLOGIES FOR ABSENCE** David Round had sent apologies for absence. The Clerk confirmed that the meeting was quorate. The Chair welcomed Becky Cauldwell to her first meeting of the FGP Committee.
2.	**DECLARATIONS OF INTEREST** There were none.
3.	**MINUTES** **Page 6 correction – KR said that the action should read that 'the CEO will ask the ESFA to make the IBR report available to governors.'** The previous minutes from 21 April 2020 were approved as an accurate record.
4.	**MATTERS ARISING** The matters arising report tracking actions from the previous minutes was received and noted.

[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.

5.	**KEY PERFORMANCE INDICATORS** This item was deferred pending the development of an online dashboard system.
6.	**MANAGEMENT ACCOUNTS** AN presented the management accounts for the period ended 31 May 2020. • Year end forecast excluding pension costs £1,977k which is an adverse variance of £1,606k • Year end forecast including pension costs is £4,007k which is an adverse variance of £3,636k The College is continuing to push and there is a possibility that the deficit will be reduced. AN noted the following points: • Staff pay/income ratio is now projected to be slightly over budget, forecast c70% • Current ratio, whilst positive, is below target. This reflects the conversion of the EFS/EF into an interest-bearing loan with loan interest liability implications • Cash days, at 101 days YTD, are due to a better retention of cash following receipt of EFS/EF and proceeds from sale at Southall; the significant creditor stretch is being released • Borrowing includes the outstanding loan with the bankers and the ESFA • Forecast on the borrowing ratio has increased due to the adverse effect of reduced income. • Whilst the target financial health shows RI, the college's financial health score is Inadequate due to the EFS and EF received. The total borrowing will be in the form of an interest-bearing loan of £11.6m at an interest rate of 2.6% pa The mitigation is mostly on the non-pay side as the commercial income for the College was adversely affected by the lockdown in March 2020. AN noted the following: • Impact of Covid 19 is just under 0.5m. • Cashflow position is positive but there are payments due which will reduce this position • Forecast cash at the end of July 2020 to be £6.8m • Local authorities are slow to pay but are expected to do so • Detailed monitoring will continue throughout next academic year • The College will be compliant with banking covenants to July 2020 Governors asked if the ESFA will meet the costs of the net impact of £500k costs of Covid-19. AN said that to date the ESFA has only asked colleges to record the impact but has currently indicated that colleges should meet the costs themselves.

	Governors asked if the £500k was loss of income or expenditure. AN explained that the overall loss of income had been £1.5m and the lower amount was the net effect after mitigation. Governors asked KR for her view of the impact of Covid 19 risks for next year. KR said that the College is more concerned about next year as it is difficult to predict the effect on income and what learning behaviours will be like in September 2020. The College is focusing on a targeted enrolment campaign and, like other colleges, the College has moved to online open days. It has confirmed as many applications as possible with firm offers but the outcome of this is uncertain. Applications are reduced against the same time last year currently but work to address the shortfall continues. DW reported there were 900 learners fewer than in July 2019 when total applications were 4,900. **RESOLVED: the management accounts for May 2020 were noted.**
7.	**PAY REVIEW** AN presented a paper which outlined the reasons for not planning or budgeting for a pay increase for the staff for this year. Governors asked if any benchmarking information was available and also how this would impact the morale of staff or the potential to recruit high-calibre staff. KR said she had not reviewed the benchmark staff pay position for about 18 months but at that time the College paid slightly higher than other institutions for teachers. The recent AoC pay survey for managers shows that the College does pay above average salaries at that level. She acknowledged that there will be an impact on staff morale and whilst she did not believe that staff will expect a pay rise this year, this should be a priority as soon as it is possible. When she joined the College, she had proposed a modest increase for staff but this had been challenged by the FE Commissioner's Team which had been understandable. Governors asked when the last unilateral pay rise had been given. This had been in 2017 except for contractual increments. Governors asked for clarification that pay is determined by the College rather than nationally across FE. KR explained that an attempt to implement a harmonised pay scale had been set aside decades ago, and that the salary scales are those of the College. The Association of Colleges works with the unions and makes a recommendation. BC asked if any other colleges are making a nil award and if there are other staff rewards that might be made in place of a pay increase. KR said that she has been working with unions to implement alternative benefits such as extra days holiday at Christmas. She is also looking at the possibility of working from home for some staff. She pointed out that FE Colleges have been subjected to an income freeze since 2013 against a background of

	pension increases and other cost pressures. Schools received more income per student 16-18 than FE colleges which is not acceptable. Governors asked how the pay scales and bandings worked. KR advised that most staff were on an incremental scale but some, e.g. senior managers, were on a spot salary with no incremental rise. Governors also asked what percentage of the staff were on a spot salary, receiving no incremental increase. KR estimated that would be less than 20%. The salary bands differ by function and some are wider than others. Governors asked if incremental progression was automatic, or had to be applied for. KR responded that it was automatic other than point 37 on the lecturer scale, which had to be applied for and which the College has not utilised in the time she had been at the College. The College has a good relationship with unions and occasionally they request point 37 to be brought back into use but this had been declined on affordability grounds. It was agreed that, when possible, **(Action)** KR would collate the following data for governors: • Benchmarking salary information for London • Percentage of staff receiving incremental increases **RESOLVED: The Committee agreed to recommend a nil pay award to the Board at its meeting of 23 July 2020.**
8.	**COLLEGE BUDGET 2020/212 AND INTEGRATED FINANCIAL MODEL FOR COLLEGES (IFMC)** AN presented the updated IFMC. The key changes are the forecast for the current year and show the projected out turn of £4m deficit. • For next year and the year after the position remains as presented to the Board meeting in May. • The ratios are going in the right direction • It is worth noting that whilst still forecasting a deficit the EBITDA for 20/21 and 21/22 moves to a surplus. Governors asked if the deficits are rolling or in-year positions. AN confirmed that the total deficit for three years will be over £7m. For the EBITDA calculation the depreciation and other elements are removed which moves the College to the positive position shown. Governors asked if the operating position includes the pension adjustment. AN confirmed that this is the case. There was discussion about whether it is appropriate to include the pension liability in the ongoing accounts and it was recognised that MV had requested this was done and AN added that this gave a more accurate picture. This also provides consistency with the statutory accounts.

	He cautioned members that there are risks for the next year in recruiting and commercial income which have the potential to have a significant adverse effect on revenue. Governors asked if there are plans to mitigate costs if income is reduced. AN said there are some plans in hand and the team would review the position in more specific detail when it is known which areas are affected. KR reminded members that the College's main income comes from ESFA and the GLA. There is some comfort as the DfE is communicating that they want colleges to emerge from the pandemic strongly and the white paper demonstrates their commitment to FE. She would be surprised if colleges were not supported to retain mainstream income and there may be opportunities to increase income for which the College can bid. She reminded members that when the activity ceased due to Covid19 some of the commercial costs also stopped such as invigilators and room hire. There was discussion about the adverse effect on local councils and the potential knock-on effect on the College. KR said that the contracts from councils have already been placed with the College for 20/21 so she did not foresee any risk to this income. AN said that the College must complete an IFMC each quarter and will have to complete a discrete Covid19 return which he will bring to the Board in July 2020. **RESOLVED**: **The Committee noted the report and agreed to recommend the updated IFMC for 2019/20 to 2021/22 to the Board at its meeting on 23 July2020.**
9.	**PENSIONS CONTRIBUTIONS UPDATE** AN reminded members that all LGPS pension schemes in England and Wales were subject to a triennial actuarial valuation and new employer contribution rates became effective on 1 April 2020. The London Pension Fund Authority has related each college's contribution to their current and expected financial strength (known as its covenant). At the time of this calculation WLC was deemed to have weak financial position and was classified as a category C and the College's pension contributions were increased. This would push the College's contributions up to circa £2.25m. The covenant category can be improved by providing the pension fund security and the College would like to pursue this and would then be classified as a category A. This will result in a significant reduction in contributions. Governors asked if the College has a facility that can support a charge of such a large amount. AN said the Hammersmith site would be suitable as its valuation is in excess of £50m. Discussions would have to be had with the DfE as they also have a charge on Hammersmith and the bank would also have to be notified. Governors expressed doubt that the DfE would be willing to discuss losing their primary interest charge. AN and KR

	advised that this had been discussed with ESFA at a previous case conference and would be revisited. Governors asked if the College is required to offer LGPS. KR said that the College is obliged to offer both LGPS and TPS. The only way that colleges are able to offer alternatives is by employing staff through a subsidiary company. **RESOLVED: The Finance and General Purposes Committee agreed to delegate authority to the CEO to pursue the option of providing security to LPFA/LPP. It was also agreed that this would include approval for the CEO to discuss the matter with ESFA and College bankers.** ***Ian Comfort left the meeting at 19.00***
10.	**PROPERTY MATTERS**
10.1	**Draft Capital Programme** AN presented a report which separated out the illustrative capital expenditure which had been detailed in the IFMC into a draft Capital Expenditure Programme spanning ten years with particular focus to the next two academic years. This focuses on curriculum facing areas predominantly. There is a ten-year programme, but the report focuses on the immediate three years. This is all subject to affordability and a business case and the capital amounts are built into the IFMC. Governors agreed that the College needs to invest capital to avoid a spiral of decline. **RESOLVED: The Committee agreed to recommend the draft Capital Expenditure Programme detailing the maximum level of capital expenditure in each of the years shown in the attached report.**
10.2	**Estates strategy update report** AN presented an update on a number of estates issues. **Southall**: activity relating to the decoupling of Blocks A and B from the main campus at Southall is ongoing with some Covid-19 related delays. Works will continue over the summer and are expected to be completed by the start of the Autumn term. **Hammersmith development project:** - all expenditure remains on hold pending the following decisions: • The appeal on the issue of the listed status of the building • Grant funding from the GLA for capital works to be undertaken**.** The £200m capital grants recently announced will be on an allocation basis and the College is awaiting news on how it will be issued. Once this is known expenditure will have to be

	made by March 2021. Governors remarked that funders are often looking for 'shovel ready' projects. KR advised that colleges have not had a dedicated capital fund since the Coalition government but the manifesto of the current government did include £1.5b funding and the AoC successfully lobbied to bring this forward, hence the £200m. The amounts of grant are likely to be for maintenance rather than 'shovel ready' projects. None of this grant has been included in the current College forecasts, so would be in addition and it is likely that it will come with criteria so we await further detail. KR had a positive meeting with the Leader of Ealing Council and a senior planning representative in relation to the College's plans to take back the leisure centre at Southall to develop a new construction centre. The Leader will be taking a borough-wide leisure and sport strategy paper to Cabinet in November 2020. **IBR – the independent business review commissioned by the Provider Market Oversight team within the ESFA.** The IBR team (BDO) has recently communicated with AN and sent a raft of requests for information. He is working closely with BDO. **The Committee noted the report.**
11	**EMPLOYMENT REPORTS – DEFERRED** This item was deferred.
12	**SUBCONTRACTING REPORTS**

12.1	**Subcontracting update – subcontracting supply chain, fees and charging policy**
	DW gave a report which contained an update on proposed subcontractors and presented the updated 'Policy for Delivery – Subcontracting[2]' for approval.
	• The College is proposing to subcontract with seven independent training providers in 20-21 for both AEB and apprenticeship provision
	• The providers were listed as:
	    ○ Learning Curve Group Ltd
	    ○ Best Practice People Ltd
	    ○ Integer Ltd
	    ○ Chelsea Foundation
	    ○ Bounce Back Foundation
	    ○ University of West London
	    ○ CSTA Global Ltd
	• These are the same seven as were presented to the Board in January 2020.
	• The College is reducing its dependence on subcontracting by £1m
	• The total subcontracting budget for 2020-21 is set at £3m

[2] Previously known as the subcontractor fees and charges policy

	DW outlined the detail of the policy for delivery of subcontracting. This outlines the rationale for subcontracting, the companies proposed, and the services the College provides for the management fee. It includes all the detail required by the funding rules and once approved the policy will be posted on the College website. He said that in terms of the ESFA consultation – they have now issued ten recommendations since the paper was written. The senior team will be mapping College provision and the document against this but some of the detail is awaited. An updated version of the report will be presented to the Board next week. Governors commented that they were pleased to see that the College is taking delivery of provision in-house. Governors commented that CSTA is listed as providing subcontracting to the value of £63k and suggested that as they do mainly underground works this would be a good bolt on for the construction academy. DW explained that the College already provides a proportion of the qualification and for this supplier it already delivers 40% in-house. The remainder is delivered by CSTA as they have the expertise whilst the College develops its capacity and skills. CSTA will eventually deliver in the Midlands and the College will supply provision in London. Governors asked when all subcontracting provision will be brought in-house. It is thought that within four years it will be reduced to £2m. KR explained that, whilst the College has an intention to deliver as much as possible themselves, the strategy had been impacted by unintended consequences of policy reform. Historically the entire AEB budget used to come entirely from the ESFA. Around two years ago it was decided that AEB funding would be devolved where there were combined authorities in place. Consequently, the AEB was devolved to the GLA for provision delivered within the GLA area. The College now receives two AEB allocations – one from the GLA for London provision and one from the ESFA for outside of London. 2017-18 was agreed as the year for calculating the funding split. In that year, prior to KR's time, the College subcontracted widely outside of London. During 2018-19 this practice had been discontinued, in favour of London based provision. However, despite lobbying, the ESFA were unwilling to pass a greater proportion of funding to the GLA to fund this, forcing the College back into subcontracting on the ESFA AEB. **RESOLVED: The Committee agreed to recommend the Policy for delivery of subcontracting to the Board at its meeting of July 23 2020** **RESOLVED: The Committee agreed to recommend the list of subcontractors to the Board at its meeting of July 23 2020**

13	**POLICIES**
13.1	**Financial regulations** AN presented the Financial Regulations which had not been reviewed for a few years. These had been updated and are presented to the Committee. They are 50% shorter than the previous version and are updated to reflect current requirements and the management structure. **Action:** Governors will review them and send any comments to the AN and the Committee by the end of the week. **RESOLVED: The Committee agreed to delegate to Philip Kerle final review and recommendation of the financial regulations to the Board at its meeting of July 23 2020**
13.2	**Tuition fees policy** AN presented the rationale and structure for charging fees. Governors asked how the fees have been derived. AN said these are based on prior years and competitive information. The fees are remaining the same as last year. Governors commented that in a competitive market it would be unwise to increase the fees in any significant amount. **RESOLVED: The FGP Committee agreed to approve the tuition fees policy.**
14	**COMMITTEE MATTERS**
14.1	**Terms of reference and cycle of business** RHB presented the report written by David Round and reported that he recommended no change to the terms of reference and cycle of business for the coming academic year. **RESOLVED: The Committee agreed to recommend the FGP terms of reference and cycle of business to the Board at its meeting of July 23 2020**
14.2	**Committee self-assessment report** RHB presented the Committee self-assessment report which evidenced strong performance by the Committee during the year. She drew the attention of the Committee to the item on Financial regulations which had been presented as Item 13.1 on these papers and suggested the report be amended to reflect this. **RESOLVED: The Committee agreed to recommend the FGP self-assessment report to the Board at its meeting of July 23 2020**

15	**ANY OTHER BUSINESS** AN presented a report on reactivation and the renaming of a subsidiary company currently dormant. Capital Apprenticeship Training Limited was incorporated in February 2015 and its trading status is currently dormant. The CEO & Principal is the Director of this subsidiary. The College's Executive Team wishes to reactivate this subsidiary with immediate effect and rename it as Capital Talent Box Limited. This reactivated subsidiary will be utilised as a vehicle for utilising agency staff across the College for the new academic year. The provision of agency staff through this arrangement is likely to result in significant savings for the College. • A board for this subsidiary will be convened and will meet termly and report to the Board • Savings on agency costs of circa £250k or more as the subsidiary will be in the same VAT group as the College • This does mean that there will be a new model to recruit agency staff. The College currently spends up to £3m annually on agency staff. This will be passed through the subsidiary company • No cost if the College wants to make agency staff substantive where now a fee is chargeable to the agency • It is expected that this structure will allow greater efficiencies and a better and more bespoke service • The College will only pay VAT on the agency fees rather than, as currently, on the whole of the spend • There will be efficiencies in dealing with a single supplier rather than several agencies AN explained that Protocol had been identified as the only supplier able to offer this service to the College and as such sought the support of the Finance and General Purposes Committee to waive the usual procurement processes. This was possible under the delegated power from the Board noted in the Terms of Reference of the Committee: *'any decisions or approvals required by the College's Financial Regulations including any waiver of Financial Regulations – the latter being reported to the Audit Committee'* **Resolved: The FGP Committee agreed to waive the procurement process outlined in the financial regulations at the advice of the COO.** **Resolved: The FGP Committee agreed to recommend awarding the contract to Protocol to the Board at its meeting of July 23 2020.** *The meeting closed at 19.35*

16	**DATE OF NEXT MEETING** The next meeting is scheduled to take place on Thursday 15 October 2020 at 18.00

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

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