

MINUTES – APPROVED BY THE CHAIR 23-06-23

THE CORPORATION OF EALING, HAMMERSMITH & WEST LONDON COLLEGE

Meeting	Finance & General Purposes Committee		
Date	Tuesday 20 June 2023	Time	18.00
Venue	Remote		
Chair	Phillip Kerle		

Members: Phillip Kerle (Chair); Chris Taylor, Ian Comfort, Karen Redhead (CEO)

In attendance: Anil Nagpal Chief Operating Officer; Maxine Deslandes, Director of Finance; Richard Ward, Director of Governance

	ITEM
1	<p>Attendance</p> <p>Apologies were received from Jon Roe.</p>
2	<p>Declarations of Interest</p> <p>Phillip Kerle declared that he was a Governor at Orbital South Colleges.</p>
3	<p>Minutes</p> <p>Resolved, That the minutes of the meeting held on 21 March 2023 be approved as a correct record and signed by the Chair.</p>
4	<p>Matters arising</p> <p>There were no matters arising from the previous meeting.</p>
5	<p>Management accounts April 2023</p> <p>The Chief Operating Officer presented a report on the College’s management accounts as they stood at the end of April 2023. The year end forecast was a deficit of £3,492k, which was an adverse variance of £1,145k against the original budget. Expenditure was under control and in a good position but pressures on income would, if not mitigated, have a significant impact on the bottom line at the end of the year.</p> <p>The College had been self-assessing between 170 and 190 points in respect of the financial health score, with the threshold for ‘Good’ (the College’s current rating) starting at 180. While the financial KPIs were currently in an acceptable position, the current financial health grade at the end of the year was forecast to be ‘Requires Improvement’. The Chief Operating Officer informed the Committee that the focus for the rest of the year was on maximising income. The May management accounts would be presented to the Board the following week, and would contain further mitigations.</p>

	<p>In the discussion that followed, Governors raised the following issues:</p> <ul style="list-style-type: none"> <p>The level of income which needed to be achieved by the end of the year, and the feasibility of achieving it. The Chief Executive Officer explained that the College was working to a revised target of £600k for distance learning of which £350k was at various stages of development. The CEO stated that it was not possible to say precisely how much remained to be delivered as performance was a constantly moving picture. The CEO informed the Committee that she and the COO were shadowing senior leaders to increase scrutiny of the development and achievement of income in the current year. The Deputy Principal (Planning, Partnerships and Projects) had developed a detailed tracker and taken steps to rebalance and improve the College’s work with referral agencies. The Board would receive further information with up to date figures in the CEO report. Governors expressed concern that the College had struggled to hit income targets for three years and asked where the cause of ongoing challenges lay. The CEO informed the Committee that the Deputy Principal was conducting a root and branch review of distance learning to establish precisely that. While the work was ongoing and would be shared when complete, it had already resulted in the identification of applications earlier in the academic year which had not been progressed and, as a consequence, income which had been foregone.</p> <p>What actions could be taken to strengthen the College’s financial position at year end in order to maintain a financial health grade of ‘Good’. The Chief Operating Officer informed the Committee that a strong cash position at the end of the year would improve the current ratio and could be worth 10 points in the financial health score, improving the chance of being ‘Good’ at the end of the year. As stated earlier, the College’s expenditure was under tight control, but the income was still a work in progress. Care was being taken to manage the programme of capital expenditure, and consideration was being given to repaying the College’s commercial loan with Barclays, which could have a further positive effect on the College’s financial health score. The COO explained that it was finely balanced, involved a number of variables, and that careful modelling was being carried out to achieve a clear understanding of the likely position at the end of the year.</p> <p>The CEO reminded the Committee of the terms of the financial health notice to improve, which required two consecutive periods of ‘Requires Improvement’, followed by a period of no significant decline. Governors agreed that the College’s priority must be to consolidate at ‘Good’ financial health. The COO informed the Committee that the May management accounts would show a slight improvement on the forecast position at the end of the year.</p>
<p>6</p>	<p>Final draft budget for 2023/24 (CFFR)</p> <p>The COO presented a paper summarising the College Financial Forecast Return (CFFR) which, following approval by the Board, would be submitted to the Education and Skills Funding Agency. The CFFR covered the current year and the two years which followed. The overall financial picture was as challenging as the previous year, but the plans were aligned to the KPIs and benchmarks, which would maintain the College’s financial recovery. The plan involved a surplus before pensions were taken into account, and projected a financial health score of 190 (10 points above the floor for ‘Good’). As with the report on the management accounts, the priority was to achieve income targets, which would improve the bottom line and shift pressure away from expenditure, which was tightly controlled. The</p>

	<p>College planned to reduce subcontracting next year, the detail of which was set out in the appendices.</p> <p>In the discussion that followed, Governors raised the following issues:</p> <ul style="list-style-type: none"> ● How the proposed reduction in subcontracting would be achieved. The CEO explained the role of the Deputy Principal (Planning, Partnerships and Projects) in evaluating the College’s position on distance learning and driving improvement in the current and next academic years. He had already made innovative proposals to grow the College’s income, which would be assessed in greater detail before implementation. ● Whether the College was making the best use of its ESFA allocation. The CEO explained that the plans had been prepared conservatively. No assumption had been made about the success of a bid to operate above the subcontracting cap. For the next academic year, the nature of the College’s participation in projects would change. <p>The COO drew the Committee’s attention to the proposals on the budget for a pay settlement, which were [REDACTED]. The CEO explained that approval was sought for the headline figure, within which negotiations with the trade unions would subsequently take place. The Director of Finance set out the detail of how the College was managing its workforce expenditure to ensure maximum value for money was achieved, including through timing of recruitment to meet need as closely as possible.</p> <p>Resolved, That the College Financial Forecast Return be recommended to the Board for approval.</p> <p>Action: Governors to receive further information on the College’s income generation strategy for 2023/24. (<i>Deputy Principal (Planning, Partnerships and Projects)</i>).</p>
7	<p>Confirmation of Going Concern</p> <p>The COO informed the Committee that the College was in a strong cash position and was able to cover its liabilities. This would be communicated to the Board the following week.</p>
8	<p>Early loan repayment</p> <p>The COO reminded the Committee of the College’s long standing commercial loan arrangement with Barclays, which had just over a year to run. He presented a paper which sought approval in principle to pay the balance of the loan off in the current financial year. Governors asked what impact paying the loan off in the current financial year would have on the College’s cash position. The COO explained that a decision would be taken close to the end of the financial year when a final view could be taken, and noted that there would be a saving in interest costs to the College, were the early repayment to be made. The early repayment of the loan could also impact the College’s borrowing/income ratio.</p> <p>Resolved, That the proposal on early repayment of the College’s commercial loan with Barclays be recommended to the Board for approval in principle.</p>

9	<p>Estates strategy update</p> <p>The COO informed the Committee that the exit from Park Royal had been achieved on time, within budget and with dilapidations coming in within budget as well. The Further Education Capital Transformation Fund has been distributed by allocation rather than award, which meant that while the College would receive £4.2m over two years, the proposed redevelopment of the Hammersmith campus lacked the overall funding needed to progress. The CEO reminded the Committee of the Estates briefing which had been arranged for 5 July with Peter Marsh Consulting to set out options for the Hammersmith campus. Representatives from the ESFA had visited the College on 1 June and a further visit from the DfE capital team was being arranged.</p>
10	<p>Pay review 23/24</p> <p><i>This item was covered under item 6.</i></p>
11	<p>Settlement payments</p> <p>The COO informed the Committee that no settlement payments had been made since the last meeting.</p>
12	<p>Proposed subcontractors for 2023/24</p> <p>The CEO explained that the College planned a significant reduction in subcontracting in the next academic year. The consideration of subcontracting was shared between the Audit Committee and the Finance & General Purposes Committee prior to approval by the Board. Governors asked for clarification on the nature of the College's contractual relationship with its subcontractors. The CEO explained that the level of subcontracting was set out in schedules to overarching contracts and managed flexibly throughout the year in response to performance and demand.</p> <p>Action: Chair to be briefed by the Deputy Principal (Planning, Partnerships and Projects). (<i>Deputy Principal (Planning, Partnerships and Projects)</i>).</p>
13	<p>Policies</p> <p>The COO presented a new fee and refund policy and revised financial regulations, which had been updated to take account of the reclassification of colleges into the public sector.</p> <p>Resolved, That the fee and refund policy and finance regulations be recommended to the Board for approval.</p>
14	<p>Any other business</p> <p>Nil.</p>
15	<p>Committee evaluation</p> <p>Governors commented positively on the efficiency with which the meeting had been chaired.</p>
16	<p>Date of next meeting</p>

	<p>It was agreed that the next meeting of the Committee would take place in the Autumn term, subject to the agreement by the Board of a full schedule of meetings for 2023/24.</p>
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