Ealing, Hammersmith & West London College

EALING, HAMMERSMITH, AND WEST LONDON COLLEGE FE CORPORATION
Minutes of the Finance and General Purposes Committee

Meeting	**FINANCE & GENERAL PURPOSES COMMITTEE**		
Date	21st March 2023	**Time**	18.00
Venue	Virtual meeting		
Chair	Phillip Kerle		
Members: Phillip Kerle; Ian Comfort; Karen Redhead (CEO); Jon Roe; Chris Taylor; Jake McClure **In attendance**: Anil Nagpal – Chief Operating Officer (COO); Maxine Deslandes, Director of Finance (DF); Lesley Venables (Interim Governance Advisor), Daljit Bains (Director of Business Partnerships).			

	ITEM
1 & 2	**APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST** Apologies were received from Ian Comfort and Jake McClure. Phillip Kerle declared that he is a governor at Orbital South Colleges.
3	**MINUTES** **Resolved -** That the minutes of the meeting held on 1st December 2022 be approved as a correct record and signed by the Chair
4	**MATTERS ARISING** Governors received for information a progress report on the actions identified at the previous meeting and noted that these had either been completed or were featured on the agenda. A number of documents would be circulated to the Committee, including notification from the ESFA that no issues had been raised at the recent funding audit and an email regarding the notice given by the landlord on the Park Royal building.
5	**MANAGEMENT ACCOUNTS JANUARY 2023** The Committee received the Management Accounts to 31st January 2023. The projected outturn for the year was currently for a £2.9m deficit against the budget deficit of £2.3m. The EBITDA figure is circa £1m under the target figure, which is partly due to significant pressures in terms of recovery of income, inflation pressures and energy costs. Governors were advised that recent staff recruitment activities had been successful and a number of key appointments had been made. Cash days in hand were 131 days, which would reduce towards the end of the financial year following further planned investment in the College's estate. The pay to income ratio was 53.96% and borrowings remained high due (approx. 40%). These are the year-to-date (YTD) figures. The College's financial health had been assessed as 'good' by the ESFA reporting methodology, but it was noted that the calculation only just placed it in this category and that, if all factors in the sensitivity analysis presented to the Committee came to fruition, the grading would be 'requires

	improvement' as a result. Governors were advised that if the College had to out-source more provision through sub-contracting arrangements (later report on this refers), this would incur additional expenditure which was not reflected in the management accounts. Potentially the College would need to increase its overall payments to sub-contractors by £320K if the subcontracting was increased by £400k; total income risk/pressures would amount to circa £1-1.2m. A governor commented that as it was already half-way through the academic year it would be difficult to recoup any shortfall in income at this point and to mitigate any risks as far as possible. The COO reported that the budgeting process for 2022/2023 had been somewhat backloaded and there was still a significant amount of income to be obtained in the second half of the year, which presented some risks. The February and March management accounts would reflect the normal increase in expenditure at this point. The Committee asked whether it was possible to include figures on the variances against each item in the accounts compared to the previous period, so that governors could track whether there were any trends. The COO would consider how this could be achieved and report back to the next meeting. The downward trajectory of the accounts was noted by the Committee and the COO was asked whether this would continue to the end of the year. Governors were advised that at this stage in the year performance was on track but there were significant further risks to be mitigated by July 2023. There were a number of factors to be considered which could contribute towards a higher level of performance, for example, maximising funding, income, student numbers, ensuring value for money on expenditure and robust cost control, identifying new opportunities and improving retention. The CEO added that the majority of colleges were also experiencing recruitment difficulties for hard-to-fill roles, such as ESOL, English and maths and apprenticeship trainers. Governors asked whether agency staffing was being used to supplement the current establishment, which was confirmed by the CEO. It was noted that the HR department had recently been strengthened and should be able to support the organisation in terms of recruitment. The high cost of energy was also having a significant impact on the College's cashflow. **Resolved –** 1 That the management accounts be recommended to the Board 2 That the Board note the current risks within the accounts and that this position could worsen prior to the end of the academic year if recruitment/income targets were not met.
6	**Confirmation of Going Concern** The COO confirmed that the management accounts and cashflow projections indicated that the College had sufficient cash to cover its liabilities at the present time. The Committee noted the continuation of its going concern status.
7	**Budget Process for 2023/2024** The COO presented a draft budget for 2023/2024, which included the figures from last year's financial plan. The budget process was reported. Governors asked whether the College's fees should be increased, particularly as inflation rates were due to reduce in 2023/2024 and it would be difficult to raise tuition fees at such a time. The COO would continue to review the situation and achieve a balance between the learners served by the College and any inflationary pressures, with any proposals for higher fees being submitted to the Board for approval.
8	**Estates update** The Committee received for information an update on estates matters. The COO advised that the exit from the Park Royal site was on target and within the agreed budget. Discussions had taken

	place between all relevant parties regarding the potential dilapidations for which the College may be liable and this would be reported in more detail at the Estates Working Group meeting on 22nd March. In relation to the Hammersmith project the College had now been informed by the ESFA that there would not be a competitive bid process for capital funding, but that individual colleges that met the eligible criteria set by the ESFA would be notified of their allocation by the end of March 2023, but it was likely that the amount would be less than the College had planned for in its Estates Strategy. The CEO had written to the ESFA, explaining the College's previous history of capital grant applications, together with conditionality and functionality issues. Following questions from governors the CEO reported that the College had had to use a previous estates strategy and space/cost calculations for the last capital bid applications due to the Independent Business Review process undertaken by the DfE. It was noted that the DfE had felt that the Hammersmith campus was in a better condition than all other parties. Governors asked whether there was a contingency plan in the likelihood that the capital grant would be smaller than anticipated, such as partnering with a developer for the site. The CEO reported that 'Plan B' had assumed a grant of £20m from the DfE but also included negotiations with the planning authority regarding social housing. A governor commented that the previous capital costs identified for the project would be significantly increased and it would be important to assess whether it was still affordable. The CEO agreed that this should be undertaken but also acknowledged that the College did not have a high level of reserves which could be used for capital developments.
9	**SETTLEMENT REPORT** [redacted]
10	**RECLASSIFICATION OF COLLEGES & IMPLICATIONS OF "MANAGING PUBLIC MONEY"** Governors were reminded of the recent decision by the Office for National Statistics to reclassify further education colleges as public sector organisations. It was now vital that colleges followed the guidance in the HM Treasury document, "Managing Public Money". Additional controls were now required in terms of settlement agreements and loan funding, with approval from the Department for Education to be sought for items that exceeded certain limits. The Committee asked whether management could foresee any likely challenges in the future. The COO reported that the College was not seeking any extra borrowing and the loan with Barclays bank would mature in September 2024. Discussion with the DfE was ongoing regarding whether the financial year end would change to 31st March to align with the rest of the public sector, which could create some challenges for colleges and may involve additional audit costs. Some additional reporting would be introduced to ensure a suitable transition.
11	**POLICIES** **Resolved** – That the Board be recommended to approve a revised Fees & Refunds Policy
12.1	**ANY OTHER BUSINESS - PENSION SCHEME REVALUATION** Governors received for information a report on the latest valuation of the College's pension scheme. It was noted that the current contribution rate of 15% would reduce to 5.8% for the next 3 years. Management had responded to the revaluation report by the deadline of 28th February.
12.2	**ANY OTHER BUSINESS – VARIATION TO SUB-CONTRACTING ARRANGEMENTS** The Director of Business Development and Partnerships (DBDP) presented proposals for variations to the College's sub-contracting arrangements, which required approval by the Board. This had been discussed by the Audit Committee on 20th March and it had been agreed that this Committee was the most appropriate forum to make the recommendation to the Board, given the amounts involved and the potential financial implications.

	The report included proposals for a contract variation to enable the College to meet its Adult Education Budget target and for an increase of the ESFA sub-contracting amount to c£1.8m to mitigate changes relating to its distance learning provision. The Committee was advised that the College's existing sub-contracting contracts were for £1.7m, with regular quality monitoring meetings held with sub-contractors delivering this provision. Each contractor had been RAG-rated in terms of performance. Governors received information on the profile of delivery volumes against actual outcomes (including achievement rates). [redacted] Regular quality checks were undertaken with each provider and all were currently graded as 'good'. Scrutton Bland had been appointed to audit this provision and would provide a report to the ESFA by the end of the academic year. Management was also reviewing the whole of the College's distance learning provision, which may involve moving up to £400K worth of ESFA distance learning provision into sub-contracting. It was noted that this would incur unbudgeted costs of £320K. It was noted that the ESFA viewed sub-contracting as a risky area of provision nationally, but the College was of the view that it provided niche courses for the local community and was a valuable addition to its core business. The College's original KPI for sub-contracting of its ESFA provision was 45%, however, this would increase to 79% if the switch between distance learning to sub-contracting was completed. A governor asked why there was such a variation in performance amongst sub-contractors and was advised that some were finding it difficult to engage with clients referred by the Department for Work & Pensions, particularly amongst hard-to-reach groups in the non-devolved areas. There had also been some staffing shortages, which was a national issue within the further education sector. In response to questions about the level of involvement management had in achieving the numbers in the proposal and the associate controls the DBDP reported that there would continue to be regular contact with each supplier, 6 weekly quality monitoring meetings and a robust delivery plan. The sub-contractors were all subject to inspection by Ofsted and it was noted that Learning Curve had been graded as 'outstanding'. It was a large organisation and had sufficient capacity to undertake this additional provision on behalf of the College. Governors suggested that, due to the importance of meeting the delivery targets, more frequent monitoring may be required, which was agreed by management. [redacted] In response to questions on the level of confidence in the proposed strategy the Committee was informed that it was too early to determine whether the mitigations in place would be successful. The College would need to make decisions quickly, which necessitated an additional amount of flexibility to enable it to achieve the overall ESFA target. **Resolved** – That the Board be recommended to approve the variations to sub-contracting arrangements
13	**Date of next meeting** – 20th June 2023