



**MINUTES
FINANCE AND RESOURCES COMMITTEE**

Date: Wednesday 02 February 2022

Via Microsoft Teams

Time: 5:00pm

Chair	David Surdeau
Corporation Members	Bobby Seagull, Danny Ridgeway, Femi Olatidoye, Lorraine Reader, Lloyd Johnson, Martin Cumella, Joanne Roxburgh, Paul Stephen (Principal)
In Attendance	Deputy Principal: Jamie Purser Executive Director, Strategy & Innovation: Matt Fawcett Chief Operating Officer: Judith Abbott
Clerk to the Corporation	Judith Nelson

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PRELIMINARY PROCEDURAL MATTERS	
1.	Chair's Welcome & Opening Remarks The Chair welcomed Femi Olatidoye; Lloyd Johnson and Joanne Roxburgh to their first meeting of the Finance & Resources Committee.
2.	Apologies For Absence <ul style="list-style-type: none"> ▪ Bobby Seagull
3.	Declaration of Interests Martin Cumella in respect of the Learning Revolution Trust
4.	<p>a. Minutes of the Last Meeting held on 24 November 2021 The minutes were approved as a true and accurate record.</p> <p>b. Matters Arising and Action Points from the Meeting Item 6 - the FTM was successful in its application for the COVID recovery funds and is currently running a surplus inclusive of direct college costs. The leadership continues to work on demonstrating that the FTM can serve both a curriculum purpose and make a financial contribution to the group. A valuation of the FTM building has been commissioned.</p>
ITEMS FOR CHALLENGE, MONITORING & REVIEW	
5.	<p>College Management Accounts December 2021 & Financial Out-turn for the full year Governors received an update on progress toward the College's financial KPIs and an evaluation of financial performance and variances to budget for the five months to 31 December 2021, as follows:</p> <p>a. Year to date EBITDA surplus of £99k which is 0.6% of income; £1,045k worse than YTD budget and £609k worse than prior year.</p> <p>b. Income year to date is £11.7m which is £1.8m worse than budget though same as prior year. This is primarily due to under-delivery YTD of GLA AEB (£1,059k), Apprenticeships (£382k), Grant Income (£334k) and GLA Procured AEB (£317k).</p> <p>c. As at R05, 16-18-funded learner number was 1,733 compared with a funding allocation of 2,006. Subject to receiving our funding allocation, this is likely to reduce funding next year by circa £1.5m although this will be partially offset by an increase in funding rates albeit this comes with a requirement to deliver an extra 40 taught hours (taking a full-time study programme from 560 to 600 hours). Since writing the update report, the net impact is closer to £0.5m.</p>

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	<p>d. High needs learners continue to exceed allocation, with 184 on the ILR at R05, and the College has persuaded LBN to apply for growth for next year, from 109 to 130. This will guarantee element 2 funding (£6k) for 130 learners.</p> <p>e. Cash balance at end-December is £12.6m (£2.2m better than budget) and 139 cash days. This includes proceeds from sale of F Block, to be reinvested in capital projects, and Higher Technical Growth Fund capital and revenue grants totalling £631k which needs to be fully spent.</p> <p>f. Staff costs YTD are £6,931k which is £237k better than budget; however, it is 66.7% of income generated by those staff, which is worse than budget (58.7%) and worse than FE Commissioner benchmark (<65%).</p> <p>g. Non pay costs are £4.7m, £483k better than YTD budget although this includes timing differences due to a slow start on eBusiness project.</p> <p>h. The College is fortunate to be in a multi-year contract for gas and electricity which expires in September 2022. It has therefore avoided huge cost increases that many FE colleges are currently experiencing. Our utilities broker estimates we have avoided a cost increase of £600k (100% of our budgeted energy cost) by not having to go to market in September 2021.</p> <p>The College has now undertaken a full review of all areas and a full year forecast is included in the management accounts. Overall, the EBITDA remains unchanged at £2.2m and 6% of income, although there are several significant changes from the original budget:</p> <p>i. Full year income is forecast at £37m which is £706k higher than budget, primarily due to inclusion of new income sources previously identified as opportunities to budget (including Tuition Fund, Higher Technical Growth Fund, London Factor) together with additional SEND funding, partially offset by £700k reduction in apprenticeship funding and reductions in European and eBusiness grants and commercial income.</p> <p>j. Full year staff costs are forecast at £18m which is £887k lower than budget reflecting deletion of vacant posts partially offset by pay and NI increases. Note this includes only those pay increases that have been agreed with the Unions to date and cost is likely to increase as agreement is reached on other matters e.g. lecturer pay scales, TUPE-transferred staff moving to college contracts etc. Additional costs will be borne from contingencies and will increase the pay cost as a % of income beyond the current forecast calculation of 54% and closer to original target of 62%.</p> <p>k. Non pay costs are forecast at £16.9 million for the full year, which is £1.6 million higher than original budget, reflecting additional costs associated with delivering new income streams together with an increased level of provision.</p> <p>l. Cash balance for July is projected at £8,060k and £8,092k for the Group (88 days); this is worse than original budget (£8,782k and 96 cash days) primarily due to revised assumptions on when cash will be received from the London Borough of Newham for Pre-16 and SEND summer term activities (based on experience of when they paid for last year)</p> <p>m. Forecast financial health for the Group remains Good with a slightly improved points score (220 versus budget 210) due to improved current ratio.</p> <p>Weighted risks and opportunities to the full year forecast remain balanced for factors within the College's control (i.e. excluding any windfall from Newtec). If the College can successfully mitigate the risks, it could substantially improve its final out-turn. At this stage, it is judged that a lot more work is needed, before the College can feel confident in forecasting a stronger year end position. A deep dive on all revenue income streams has taken place with a view to reducing projected income forecasts in high-risk areas, e.g. apprenticeship income reprofiled from the budgeted £1.5m to £800k, and apprenticeship performance will need to be closely monitored.</p>
6.	<p>Institute of Technology & timebound, in year, College projects update</p> <p>The Deputy Principal presented:</p> <ul style="list-style-type: none"> ▪ an overview on the progress of timebound major projects and workstream relating to the IOT. ▪ Progress and spend against allocations of the National Tuition Fund (NT Fund) and committed spend against the HTQ Grant. ▪ A walkthrough of the designs and layout of the new Digital Hub, at East Ham campus.

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	<p>i. IOT PROJECT UPDATE</p> <p>Governors noted the following progress update: Contracts to secure IoT status and capital funding were signed by the College and DfE on 1 December 2021.</p> <p>A multi-disciplinary team is being led by the Deputy Principal, to prepare for teaching the IoT curriculum, comprising of curriculum mapping, staffing, and marketing the IoT to potential students and employers. The key aspects of these work streams are highlighted below.</p> <p>a. Student Engagement</p> <p>The student engagement working group has developed an IOT website and various marketing and recruitment initiatives to maximise student recruitment to the IOT in September 2022.</p> <p>Year 1 course planning has been finalised and a safeguarding strategy and plan now complete. The Deputy Principal presented the IoT to the Newham Association of Head Teachers (NASH) group in January and is chairing the 14-19 Newham Education Leaders' group for the remainder of this academic year. This group includes all post 16 providers, along with representatives from the London Borough of Newham and includes secondary school representation. This forum will provide a good opportunity to promote the IOT, courses and applications.</p> <p>Next steps with recruitment are to:</p> <ul style="list-style-type: none"> ▪ Produce marketing literature for the IOT ▪ Commission a 3D walkthrough of the IOT for social media/website ▪ Continue to develop the IOT website to enhance a focus on employers, apprenticeship vacancies and showreels of progress. ▪ Schedule in schools' visits, presentations and open events to Term 2 and Term 3. <p>b. Employer Engagement</p> <p>The employer working group are focusing on targeting specific sectors, that would be most relevant to the curriculum offer in year 1, namely, Rail, Engineering and Digital employers.</p> <p>c. Curriculum Pathways</p> <p>The group have developed a staff skills matrix, informing HR and curriculum of lecturer skills gaps and where the College should be targeting CPD, and the recruitment of specialist staffing, earmarked to deliver programmes in the IOT.</p> <p>d. Capital Programme</p> <p>The Royal Institute of British Architects (RIBA) stage 2 is now complete, with RIBA stage 3 progressing. Specialist equipment, rooms, workshops, and layouts have been agreed by both QMUL and the College. 16 formal expressions of interest have been tendered for the design and build fit out contract, and the working group is evaluating the submissions with a view to producing a shortlist of bidders and refining the programme and budget. Further consultation with QMUL is ongoing, regarding IT infrastructure, furniture, fittings, and equipment, with marketing, estates, IT, and curriculum subgroups meeting monthly. Strategic and joint decisions on the IOT project are discussed and agreed by the Strategic board, attended by the DP, the Chief Operating Officer (COO), and the Principal, along with their senior QMUL counterparts.</p> <p>e. Financial processes and controls</p> <p>This working group has focused on procurement processes and budgetary oversight. It has been agreed that QMUL will be responsible for IoT procurement, requisitions and working capital, including the management of all grant disbursements.</p> <p>The process for joint requisitioning and approvals are being reviewed and are looking to submit the first grant claim in advance of the c£20m bullet payment that will be required when the lease is signed (around April).</p> <p>Governors asked for an update on the OfS registration. The Principal and Deputy Principal have had a meeting with OfS, with the Principal setting out the College's position.</p>

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	<p>The College now has some visibility on the next steps and its direction of travel.</p> <p>The College will be able to submit a “bespoke” application, with the ability to contextualise poor quality and historical data. The Curriculum and Quality Committee will need to have very visible oversight of HE/OfS and options will be discussed with governors sitting on that Committee. The OfS confirmed that data over the last 4-5 years would be used (the original application looked at data from 2010-11 to 2016-17).</p> <p>ii. Higher Technical Qualification Grant (HTQ)</p> <p>The College has been awarded a grant to deliver higher technical qualifications (L4+) in digital subjects. This grant fits very well with the IoT and will both directly contribute to IoT contractual targets and provide curriculum pathways into the IoT. The total grant allocation is £631k, split between capital (£432k) and revenue (£198k). The grant is prescriptive in what the allocation can and cannot be spent on and from which allocated grant. All grant allocation is required to be committed by the 31 March 2022.</p> <p>To date, good progress has been made on the development of this project. The HTQ working group has planned to deliver a new Digital Hub, in the Learning Resources Centre (LRC) at East Ham campus. The new hub will comprise several digital labs, focusing on Cyber security, 3D design and creative, a VR/ AR lab, networking lab (sited on floor 7) and an immersive teaching room, linking to immersive rooms at both the IOT and Stratford campuses. Capital spending will be fully committed by the deadline of 31/3/22. It is envisaged that the new Digital Hub will be completed by the first week in May, allowing for a period of staff training, schools liaison and employer engagement, before the facility is fully utilised in September.</p> <p>The resource allocation is being spent on a variety of items and packages as follows:</p> <ul style="list-style-type: none"> ✚ Digital educational packages. ✚ Staff training (bespoke CPD on digital qualifications and training). ✚ VR/AR packages development in Digital, EV charging, online platform learning for renewables and interactive AR platform learning for Health Sciences. ✚ Organisational digital development of Newham College staff supported by JISC. ✚ Cyber Security licenses, penetration testing software. ✚ Ongoing development and consultancy to build digital capacity in Newham College. <p>iii. National Tuition Fund (NT Fund)</p> <p>The College has spent/committed £350k, leaving £212k to spend by the end of the academic year. Supporting young learners by spending money on the following:</p> <ul style="list-style-type: none"> ▪ Partnered with ‘Get Further’ a charitable organisation, focused on tutoring and supporting 16-18’s with GCSE and Functional Skills support sessions. ▪ Purchased Century Tech, a cloud-based E learning maths platform, enabling learners’ opportunities to access high quality maths resources. ▪ Additional teaching sessions for catching up on learning (English, maths and vocational) - a total of 2752 additional hours delivered so far in 21/22. ▪ Management costs to administer the fund ▪ Several fixed term staffing appointments, focused on delivering and supporting additional maths, English, ESOL and learning support tutoring for in class learning.
7.	<p>Apprenticeship Position Update</p> <p>The Executive Director presented an update position as follows:</p> <p>The 2021-22 Business plan sets ambitious targets in relation to both new starts and increased income (around 400 new starts over the academic year with a total income target of £1.5 million including carry in enrolments). The College is significantly below this target and has reprofiled the headline income target to £800k with a business development target of £1.2 million to help facilitate an improved carry over of apprenticeship enrolments for 2022-23.</p> <p>The following actions are currently being undertaken to address the under performance against target:</p> <ul style="list-style-type: none"> ▪ Design and implement a targeted recruitment campaign to enhance the external visibility of the Colleges apprenticeship offer and further develop key external relationships.

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	<ul style="list-style-type: none"> ▪ Overhaul the current website and social media content to support the delivery of the recruitment campaign. ▪ Utilise 'Apprenticeship Week' in February and include key events for employer engagement (employer open event at Solar House), external visits from key stakeholders (planned visit from members of the London Assembly with media coverage). ▪ Build a solid talent pool of potential apprentices through implementing pre-apprenticeship training and support / mentoring (to also help deliver our AEB targets). ▪ Develop the CRM to review potential progression routes for current and historic completers and identify potential business opportunities. <p>Impact to date:</p> <ul style="list-style-type: none"> ▪ Learner talent pool established to ensure the college is sending high caliber candidates to employers for new apprenticeship starts. ▪ Redesigned process to ensure learners are effectively enrolled and onboarded within 4 weeks after agreed start date with employer. ▪ Shortlisted for 3 tender opportunities where we have presented for potential apprenticeship business, currently awaiting outcome. ▪ Engagement of London Assembly to raise profile of college and apprenticeship offer. ▪ Increased employer communication, through employer advisory boards, learner progress reviews and account management. ▪ Increase in enquiries from employers through the website and social media posts due to the recent Government announcement regarding the plan to return to the workplace. ▪ The current apprenticeship enrolment profile will generate a year end funding total of £443,141, with a further potential achievement figure of around £53k to be added. The new starts planned for January and February will generate a further potential income of circa £50k in year and improve the carry over position for 2022-23. <p>Governors asked for the progress with unblocking apprenticeships from the London Borough of Newham. To date there has been little direct support from the Borough, although we are exploring an interesting opportunity with Juniper, an arm's length catering/soft services company controlled by the Borough.</p>
8.	<p>HR Update Report</p> <p>The COO presented Governors with the key HR statistics for the last quarter, with a particular focus on recruitment following new reporting measures and a revised process being implemented.</p> <p>The COO advised Governors that the College has been in dialogue with the union and content with the progress made and the direction of travel the College is taking forward:</p> <ul style="list-style-type: none"> ▪ the unions have agreed to a revised lecturer pay scale, this will have a full year impact, when implemented, in the order of circa £200k; ▪ the College will be creating higher level posts i.e. curriculum manager, giving teaching staff meaningful career opportunities; ▪ the College is looking to sign up as a London Living Wage employer, moving its lowest paid staff onto the London Living Wage; ▪ the College is looking to move staff who are currently on a non-college contract, onto a College contract. <p>Governors highlighted the following pertinent points, which could be covered in a future HR strategy paper:</p> <ul style="list-style-type: none"> ▪ high turnover of staff; ▪ comparative data of previous years; ▪ how does attrition compare to other Colleges; ▪ what would a realistic target look like; ▪ what is the process for exit interviews. <p>Governors were informed the sector average is 25%, which is a reasonably high sector turnover. The COO would like the attrition rate to be below the sector average. Exit interviews are conducted by line managers, this is an area that requires developing.</p>

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	<p>The Principal advised that the College Leadership team has started a very comprehensive process on staff engagement:</p> <ul style="list-style-type: none"> ✚ Principal's fortnightly virtual Q&A briefing; ✚ the Principal has been attending team meetings across College; ✚ the launch of a staff survey since 2020, which has had a much higher response rate than previous years.
<p>9.</p>	<p>Estates Strategy Update Governors noted the following:</p> <p>i. Current Capital Projects FE Capital Transformation Fund East Ham project. Since the last update, the DfE has advised that it anticipates notifying the outcome of FECTF applications by March 2022, a month later than previously anticipated.</p> <p>ii. Little Ilford The grant application has passed initial scrutiny and technical evaluation stage and everything has been agreed in principle aside from the solar panels. It is now undergoing a quality review prior to a final decision to award a grant.</p> <p>iii. Solar House Lease The lease held by DSS is to be assigned to the College with effect from 1 June 2022 at an annual rent of £147k plus VAT. The lease expiry date will be varied from 31 May 2027 to 31 May 2025 with an additional tenant-only break clause added on 1 June 2024 subject to 6 months prior written notice. All terms of the lease have now been agreed and the College is anticipating receipt of the engrossments for signature very soon. Governors were presented with a summary of the lease prepared by Stone King. As the full value of the lease for three years is £529k, it requires approval by this Committee and authorisation/signature of the Corporation Chair on the lease documents. Following assignment of the lease, DSS Ltd can be formally wound up (ideally within the current academic year). RESOLVED: The Committee approved for the Corporation Chair to sign the lease documents.</p> <p>iv. T Levels Capital Fund Wave 4</p> <ul style="list-style-type: none"> ▪ The College is eligible to apply for building grants for Engineering and manufacturing (up to £1,400k), Digital (up to £650k) and Business and administration (up to £650k) and has registered expressions of interest. ▪ The College is working with AA Projects to develop two bids, one for a refurbishment of W Block (Engineering) at Stratford and another for refurbishment of a wing at East Ham as a Business Centre. W Block in particular, is in serious need of investment, and it may be feasible to incorporate elements of Digital T level delivery into this building which would enable us to apply for a combined grant total of £2,050k, this will enable the College to refine details of match funding contributions. ▪ AA Projects have visited both sites (East Ham and Stratford) and are currently preparing initial scoping and budget costs. Formal approval of the applications by this Committee will be required prior to their submission, and it is anticipated that this can be achieved via email as was done with the last bid. <p>v. NEWTEC Sale of Mark Street As previously reported and agreed, to protect its interests, the College is paying certain costs on behalf of NEWTEC and it has negotiated on NEWTEC's behalf with some suppliers to agree they will wait until the building is sold for their final payment. NEWTEC has one remaining employee, a site supervisor, who is now working mostly at the College to cover for sickness absence, so the College is paying NEWTEC for his services. All payments are being kept to a minimum necessary to ensure a disorderly insolvency is avoided.</p>
<p>10.</p>	<p>Meeting Schedule for 2021-2022 @ 6pm</p> <ul style="list-style-type: none"> ▪ 09 March 2022 ▪ 06 July 2022