



**MINUTES CONFIDENTIAL  
FINANCE AND RESOURCES COMMITTEE**

Date: Wednesday 24 November 2021

By Microsoft Teams

Time: 6:00pm

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

<b>Item No</b>	<b>Item of business</b>
<b>PRELIMINARY PROCEDURAL MATTERS</b>	
<b>1.</b>	<b>Chair's Welcome &amp; Opening Remarks</b> The Chair thanked and welcomed all in attendance. It should be noted that David Surdeau, Chair was slightly delayed in attending the meeting, therefore Martin Cumella chaired agenda items 1 to 5 and 7 to 8.
<b>2.</b>	<b>Apologies For Absence</b> <ul style="list-style-type: none"> <li>▪ Bobby Seagull</li> <li>▪ Matt Fawcett</li> </ul>
<b>3.</b>	<b>Declaration of Interests</b> Martin Cumella in respect of the Learning Revolution Trust
<b>4.</b>	<p><b>a. Minutes of the Extraordinary Meeting held on 01 October 2021</b> The minutes were approved as a true and accurate record.</p> <p><b>b. Minutes of the Meeting held on 05 October 2021</b> The minutes were approved as a true and accurate record.</p> <p><b>c. Matters Arising and Action Points from the Meetings</b> All matters arising formed part of the agenda.</p>
<b>ITEMS FOR CHALLENGE, MONITORING &amp; REVIEW</b>	
<b>5.</b>	<p><b>Management Accounts October 2021</b> Governors noted the following:</p> <ul style="list-style-type: none"> <li>▪ The College has recorded a YTD EBITDA deficit of £83k which is -1.3% of income; £688k worse than YTD budget and £274k worse than prior year.</li> <li>▪ Income year to date is £6.5m which is £1m worse than budget though 0.3m better than prior year. This is primarily due to under-delivery YTD of GLA AEB (£639k), GLA Procured AEB (£325k) and Apprenticeships (£180k).</li> <li>▪ As at R03, 16-18-funded learner number was 1,756 compared with a funding allocation of 2,006. This will reduce funding next year by circa £1.4m.</li> <li>▪ High needs learners continue to exceed allocation 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.</li> <li>▪ Cash balance at end-October is £12.9m. 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. and forecast for July is £8,760k and £9,320k for the Group (92 days).</li> </ul>

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	<ul style="list-style-type: none"> <li>▪ The main areas of concerns are - apprenticeship and procured AEB delivery, however, the weighted value of opportunities exceed weighted risk factors. Additional funding from the London Borough of Newham is not included on the reforecast, pending annual accounts audit sign off. Two additional risks have emerged on the I&amp;E, a terminated ex-sub-contractor of the College, Achievers Point Academy, has contacted the College via a debt collector requesting for a total payment of £674k. The last contact the College had with this sub-contractor was in September 2019. The COO considers this as a fairly remote risk, hence it is not reflected on the risk register. In order to mitigate this risk, a provision of £200k has been reinstated on the balance sheet of last year's accounts. A further emerging risk is on capital expenditure, it was identified that the six College servers cannot be upgraded to the latest version and will therefore not meet Cyber Essentials Plus standards. The optimum solution is to replace the six servers and use the monies budgeted for next year's capital budget circa £400k.</li> </ul> <p>Governors raised their concerns on:</p> <ul style="list-style-type: none"> <li>▪ 16-18 learner drop in numbers compared to last year is huge. The COO has calculated the impact of the volume reduction on next year's funding will be a reduction of approximately £1.4m. The Executive will develop proposals to align its cost base for 22/23 to the lower income levels, noting that the College will need to invest more in Marketing and Schools Liaison in order to support next year's enrolment campaigns.</li> <li>▪ Procured AEB and apprenticeships continue to be the constant weak areas. The Executive Director will submit a business case to the GLA on the procured AEB. The Principal confirmed the procured AEB remains a challenge, and the GLA has confirmed that under delivery in 2020-21 will result in a permanent reduction in Total Contract Value, noting this was already anticipated in the College accounts and has no additional financial impact. The critical point will be in late December when the GLA will assess the College's performance in year and if they are satisfied the College is in line with the recovery plan, the College will keep the contract value for years 2 and 3. If the GLA are not satisfied they can apply the same level of contract reduction as cut as in 2020-21.</li> </ul>
6.	<p><b>Fashion &amp; Textiles Museum (FTM)</b>  This item was deferred so that David Surdeau could chair this item.  Governors noted the following:</p> <ul style="list-style-type: none"> <li>▪ The museum is a distinctive asset for any College to have.</li> <li>▪ It is clear the FTM has not been successful as a financial investment. Trading performance in the 15 years of College ownership has averaged £150k gross deficit per annum.</li> <li>▪ The full cost of FTM, inclusive of estates, IT and back office services, indicates that the College subsidises the museum at a cost approximately £350k per annum. This level of subsidy is clearly not sustainable.</li> </ul> <p>The paper did not make recommendations, but instead sought governors' views on the following issues:</p> <ol style="list-style-type: none"> <li>i. How to improve the financial performance whilst assessing the longer term strategic fit for the College .</li> <li>ii. How to assess the attractiveness and terms of a potential legacy bequest from Dame Zandra Rhodes, and the value of Arts Council accreditation versus the governance changes required in supporting this.</li> <li>iii. How to rebuild the fashion curriculum, noting the balance needed in management attention against other strategic priorities.</li> </ol> <p>Governors noted the following:</p> <ul style="list-style-type: none"> <li>▪ The Chair made governors aware that he has taken the opportunity to have a discussion with Principal about this item, which has been a process of discovery. The previous leadership team had indicated that the FTM was a gift rather than an acquisition for c£2m.</li> <li>▪ Martin Cumella advised governors that he is a Trustee of the Zandra Rhodes Foundation. He stated that the museum is an asset, which no other College currently has, and the curriculum needs to be developed for the museum to flourish.</li> <li>▪ Governors were pleased to see a clear exposition of the costs, and confirmed that a fully loaded I&amp;E is needed to assess the financial impact of the FTM. Ultimately the FTM must wash its face financially, and in the medium term there is real merit in seeing whether a renewed push on fashion curriculum could realise the latent potential of the College's ownership of FTM.</li> <li>▪ The potential legacy bequest from Dame Zandra Rhodes is not sufficiently clear to be able to assess the costs and value. Governors confirmed that acceptance of any final legacy offer would be subject to a clear on-going business case and Corporation approval.</li> <li>▪ The Arts Council accreditation would require amendments to the Instrument and Articles; ESFA approval, noting the College did not secure ESFA approval for the acquisition of the museum. Further assessment is needed on the governance consequences of securing Arts Council accreditation.</li> </ul>

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	<p><b>ACTIONS:</b> <i>The College to get an up-to-date valuation of the freehold, for governors to have some understanding of the potential value FTM.</i></p> <p><i>The College to track total income and expenditure for FTM, and to seek an improvement in financial performance once all the relevant information is disclosed. This shadow I&amp;E will inform a future assessment as to the future status of FTM, whether as is, a stand-alone subsidiary, or other.</i></p>
7.	<p><b>Project Co-ordination</b></p> <p>Governors noted the following:</p> <ul style="list-style-type: none"> <li>▪ The College has been successful in securing, and is still in the running to secure further, material grant funded projects.</li> <li>▪ The scale and complexity of the projects, and the tight timescales for delivery, are unusual. It is also unusual to have so many high-profile projects running simultaneously.</li> <li>▪ A robust internal governance has been set up with each project having an Executive owner. The two most complex projects (IoT and Higher Technical Qualifications (HTQ)) have several coordinated workstreams tasked with developing solutions around technical specification; pedagogical requirements; procurement and fit out; and marketing.</li> <li>▪ The Executive reviews projects at least monthly to ensure that progress is being made in line with the conditions of grant, and to deal with any issues that arise.</li> <li>▪ All projects are making reasonable progress, with key risks, requiring cross College collaboration subject to particular focus by Executive.</li> </ul>
8.	<p><b>Institute of Technology (IoT) Update</b></p> <p>Governors noted the following:</p> <ul style="list-style-type: none"> <li>▪ No further issues with the capital funding agreement; licence agreement which are the terms of using the IoT designation and no longer any issues with the legal charge.</li> <li>▪ The contract will be signed this week or next week, the College is in receipt of many written assurances. It should be noted that David Surdeau, Chair joined the meeting at 6:35pm.</li> <li>▪ Accelerated some of the design work in order to make good progress on the fit out as soon as the grant is confirmed. Work is also underway in preparing for student engagement, staffing and recruitment for next year.</li> <li>▪ Year 1 curriculum course file is set, focusing on engineering; apprenticeships; digital programmes for young people at level 3. The programmes are in line with pipelines and career pathways that QMUL are running.</li> <li>▪ The first oversight group meeting with QMUL and the anchor employers i.e. Port of London Authority, CBREIM, and Siemens highlighted that the employers were targeting graduate level 6 students. These employers are willing to look at lower level upskilling/recruitment prospects and to open up their supply chains to the IoT.</li> <li>▪ Student engagement working group: Marketing is focusing on the website in beta format, sitting the background, the website will go live once the agreements are signed. Sharon Cousins is the lead schools liaison with promoting the IoT. The Deputy Principal will be promoting the IoT to the Newham Schools Head group in January.</li> <li>▪ Anchor employers are very interested in technologies that we are not delivering or do not have a qualification attached to it i.e. carbon reduction; carbon capture; green skills; hydrogen and electrification programmes / qualifications. We are working with Pearsons, who are heavily invested in carbon eco qualifications, to develop proposals to meet employer demand. It is very clear that the IoT curriculum will evolve beyond what will be delivered in year 1.</li> <li>▪ Internally the Deputy Principal is leading on a multi-disciplinary team, consisting of six working streams looking at student recruitment; employer recruitment; curriculum development; capital programmes; back office systems and processes; and governance.</li> </ul> <p>Governors were pleased to note the collaboration with QMUL. Governors were also pleased to note the focus on sustainability from COP26 to net zero.</p> <p>Governors sought clarification on the progress with obtaining an OfS registration. The Principal wrote to the OfS 5 months ago, and to date OfS indications of consultation milestones have passed without progress. . The College is now actively engaging with the DfE (IoT) and the ESFA (HTQs) about how the College can meet the contractual obligations set by them without a clear route to OfS registration, and the Principal has asked Stephen Timms MP to write to OfS to request an update on how our requests will be actioned.</p>
9.	<p><b>HR Annual Report</b></p> <p>Governors noted the HR annual report and raised their concerns about the turnover of teaching staff and ten dismissals. The COO advised the metric concerning the percentage of teaching staff related to staff who were not fully qualified.</p>

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10.	<p><b>Transition from LIBOR</b></p> <p>Governors noted the College has signed a Transition Agreement with Lloyds Bank to change to the Bank Rate, however in order to enact this, the Bank has advised that it requires Board/Committee approval to the change and authorisation of the signatories to the document.</p> <p><b><i>RESOLVED: Finance and Resources Committee approved the Transition proposal outlined in the documentation, replacing LIBOR with the Bank Rate.</i></b></p> <p><b><i>Finance &amp; Resources Committee further authorised the following signatories, Judith Abbott and Pieter Vermeulen, to sign the necessary documentation including the Transition Agreement on behalf of Newham College Group.</i></b></p>
11.	<p><b>Meeting Schedule for 2021-2022 @ 6pm</b></p> <ul style="list-style-type: none"> <li>▪ 26 January 2022 – rescheduled to 02 February</li> <li>▪ 09 March 2022</li> <li>▪ 06 July 2022</li> </ul>