

MARY WARD SETTLEMENT INTEGRATED BOARD MEETING
Minutes of the meeting held on
Tuesday 12th March 2019 at 6.15pm
Octavia Hill Room, Blackfriars Settlement SE1 0RB

Present:	Frances Bates (Chair – MWS/MWLC/BFS) Stephen Carlill (MWS) Nadine Cartner (MWS/MWLC/BFS) Graham Collins (BFS) Gerard Darby (MWS) Kim Duong (MWS/MWLC/BFS) Heather Heathfield (BFS) Austin Hill (MWS/MWLC/BFS) Alex Horsup (MWS/MWLC/BFS) Beatriz Montoya (MWS/MWLC/BFS) Andrew Peck (MWS/MWLC/BFS) Kate Watters (MWS) Andrea Williams (MWS) Emma Wyatt (MWS/MWLC/BFS) Margaret Wheeler (MWS/MWLC/BFS)
In Attendance:	Suzanna Jackson (Warden/CEO) Juliet Woodford (Head of Finance and Resources – HofFR) Allister Duncan (Assistant CEO) Sue Craggs (Head of Adult and Community Education – HACE) Liz Ranger (Director, Blackfriars Settlement)
Clerk:	Beverley Campbell

Agenda Item		Action
1.	Apologies for absence: were received from Jess Northend, Raja Nadarajan, John Edwards	
2.	Declarations of interest: None	
3.	Minutes of the meetings held on 11th December 2018 and 15th January 2019. The Chair stated that there were points of clarification on both sets of minutes. Approval of the minutes was to be deferred to the Strategy meeting scheduled for 30 th March 2019	Clerk
4.	Matters arising: It was noted that the proposed changes to Committees and the Terms of Reference referred to at 5.1 in the minutes of 11 th December is still a work in progress as the Quality Improvement Group are meeting to draft the terms of reference which will be incorporated into the Board & Committees Guidance document.	
5. 5a	Finance Matters: Q2 Management Accounts to 31st January 2019 5.1 The HofFR presented the details of the quarter two management accounts. The following points were noted:	

Adult Education

- The budgets have been reviewed and revised since quarter one. The level of fee income has been further reduced by £100k. This is offset by the reduction in associated costs for tutors. The net reduction is £30k. In addition to the revised fee income, the projected rental income has been reduced because the potential tenant for 10GT has pulled out, resulting in a revision in the level of projected rental income
- Despite the reduction of the fee income target, the amount generated to date was up on the same period last year already passing the £1m mark. The HofFR stated that much of the fee income for the year has been received and she is confident that the revised target will be achieved.
- The Head of Adult Community Education (HACE) reported that in Term 1 target £400k achieved 98% of target; Term 2 - £410k-90%. The aim for Term 3 it to set a higher target due to the extra work that this being done to promote this year's summer school. The projected income level for term 3 is £430-450k, which would be the most ever taken in a term.
- The HofFR stated that 42QS was operating at capacity with 4 sessions in every classroom over the week. The situation is the same at BFS. There is an average of 12 students per class, other Institutes of Adult Learning (IALs) are averaging 10-11. It has been challenging to achieve the target of 14 per class, however, we are performing better than our competitors.
- The Warden added that the projections for education income were made in the abstract, before completing the merger with Blackfriars and the amount of space that would be available to deliver classes at BFS was an estimate. It was also noted that trying to achieve the aspirational target of 14 per class may be difficult before the move to Stratford, as the current space is not conducive to teaching larger numbers

Legal Centre

- The HofFR highlighted the ongoing issue with the Legal Centre's legal aid income. There are two issues, the clawback of fees paid in advance and the estimate for the level of the Work in Progress (WIP) figure. The expectations on the level of billing made by caseworkers were based on the number of cases they intended to complete and bill in the year and not on the total value of all outstanding cases.
- The HofFR detailed the mix of funding that the Legal Centre received under the Legal Aid Agency contract
 - Legal Help – fixed fee received for dealing with the matter (approx. £150 per case)
 - Escape Cases – more detailed casework involved (approx. £3-5k per case)
 - Certificated cases – complex matters, prolonged cases which could take months, years to resolve (average £10k per case, based on legal aid rates or market rate if successful in securing inter partes costs)
- It was acknowledged that the pattern of the mix of funding had changed. Historically over the last 4-5 years, there were 2 certificated cases a year that generated £50-70k. This year it is not expected to bill cases to that value.
- The Director of Legal Centre (DLC) reported that the development of services

<p>5b</p>	<p>in Newham and Southwark has diverted time away from casework, as well as the doing non-legal aid housing work under the partnership with Community Links. The service has incurred the start-up costs for the new services, but cases have not yet been billed.</p> <ul style="list-style-type: none"> • The Warden provided more detail on the partnership arrangement with Community Links, which involves taking 3 appointments per week. Work still needs to be done to make people aware that there is a specialist service on offer. This is an investment in a new area and the opportunity costs will lead to growth. In the future there will be a closer look at the impact on the overall mix of legal aid income and growing the service. <p>IE & Cashflow Details</p> <p>5.2 The HofFR responded to questions about the cashflow position. The following points were noted:</p> <ul style="list-style-type: none"> • It was acknowledged that the assumptions made become less accurate the further in time the projections go. • The operating cashflow appears more negative than it should be. This is due to broad brush assumptions, giving a very conservative forecast. However, the underlying cash reserves and plans for future spend are not unreasonable. • There was some concern about the baseline figure over the year – starts with carried forward figure of £1.5m to a year-end carry forward of £765k. There are also several negative cashflow months • The Assistant Chief Executive (ACE) stated that a long term view had to be taken on the cashflow position. The current large cash outflow for the rent of 10GT as a result of the leaseback arrangement ends in 2022 and will be replaced by the depreciation cost of the new building. • There has been another expression of interest in renting the 3rd Floor at 10GT. The possible tenant, a dental practice is only interested if it is possible to obtain a lease that goes beyond current lease which ends in 2022. The ACE confirmed that an application has been submitted to Camden Council to widen the D1 use or change to B1 office use. A decision is expected by the end of April. If the application is successful the space will come more attractive to possible renters. <p>The Q2 Management Accounts were noted</p>	
<p>6.</p>	<p>Stratford Project – Financial Projections</p> <p>6.1 The Warden outlined the key decisions required from the Board in the event of a successful outcome (awarded the full amount requested) from the Skills for Londoners Capital fund (S4L).</p> <ol style="list-style-type: none"> a) Did the Board wish to proceed on the basis of the building option outlined in the bid? b) Did the Board wish to propose an alternative building option and what were the risks of this strategy? c) If the Board propose an alternative option and it is rejected by S4L, did Does the Board still wish to proceed with Option 1? <p>6.2 The Warden stated that the details of the latest Stratford Project costings for</p>	

each of the options were only estimates. More definitive costings would not be known until a detailed specification was drafted and put out to tender. The details presented showed the grant amount submitted in the bid against the various options:

- Option 1a is the original bid with revised costs, adding £1m to the level of the submitted bid budget. The revised costs are due to having full information on the costs of the structural engineering work required. This would become the new Option 1 and provide all the space needed and meet the S4L objectives
- Option 2 would involve adding the 2 floors but not going ahead with the extension. This would save £800k in the cost of developing the project. However, the risk is that the saving will be at the expense of being able to fully meet the S4L objectives.
- Option 4 is a simple refurbishment to the existing building
- Option 5 is the estimated cost of knocking down the existing building and completely re-building. Further discussion will be needed to decide whether this is a viable option for consideration. There are potential benefits, including addressing some of the risks of reconfiguring the current building. This option will be reviewed in detail at the Strategy Day on 30th March.

6.3 The Warden reiterated that a successful bid from S4L would be based on MWS delivering the agreed volume of learning and having a project that was sustainable. These are the key objectives that the building would have to achieve. If less funding is offered it would be reasonable to expect that some time is given to discuss and negotiate a proposal with the S4L funding team. The issue is whether there is scope to negotiate with S4L if the full amount of £5.7m were awarded. Any suggestion to change the building design could impact S4L's funding decision.

6.4 The Warden invited Board members to give feedback on the options and costing details provided. The following points were noted:

- Details were provided showing the projected student fee income generated at 85% student capacity and 70%. The Warden clarified that S4L would be focused on MWS identifying a plan to develop a sustainable project, so it would be possible to present a proposition to initially rent out any spare space while implementing the strategy to grow services and increase user numbers over time.
- The HofFR stated that the student fee income is based on a conservative mix of students. The Gross Fee Income Projections indicated the income generated per hour based on different levels of student capacity from 70-90%. The current level generated is £1.2m (at 85% capacity) this year. If only achieved 70% capacity the amount generated would still be more than last year (17/18).
- The Warden explained the composition of student fees - cost per class across all courses is £77 (£5.50x14 students). Some courses, for example, 60+ are £30-40 per class. Level 3 and Level 4 average £2-3k per course. In a larger building, there is the potential change the mix of the provision on offer by increasing the mix of L3 and L4 courses, which attract a higher fee rate and

make a bigger contribution. An additional advantage is that a student signed up for a L4 Counselling course will be attending for one full day for 2 years. In order to keep that same classroom full within the average class structure would need to achieve 12 enrolments.

- It was acknowledged that promoting the L3/L4 courses would increase the level of income, however, it was important to ensure that the adult education service continued to meet the ESFA (now GLA) funded provision. The GLA funding was recently increased by £40k without requiring MWS to meet additional targets.
- In terms of new sources of funding for new education services, the Warden stated that MWS were through to the second round in a funding bid to deliver ESOL in Tower Hamlets (£90k). Newham Adult Community Learning has asked Adult Education to deliver the Award in Education & Training (in Beckton) and French (in Forest Gate). So there is a clear demand for services. New course have been developed since January. For example, an AAT accountancy course to start next term in Community Links; ESOL classes in Tower Hamlets; Community Interpreting for Children & Families Service (Tower Hamlets).
- It was noted that the location of Queens Way House provides the opportunity to develop partnerships not just in Newham, but also in Tower Hamlets
- The HACE added that contact had already been made with the big employers in the areas, such as the FCA, TfL, who like MWS are new to the area and keen to work collaboratively to create a cohesive community. These are opportunities that would not have existed if MWS stayed in Camden.

6.5 In responding to questions on the loan interest rate of 3.5% over 25 years, the ACE stated that the Co-op bank is offering 5 year fixed rate loans, in 5 years the value of the property will have increased. Using 10GT as an example, 10 years ago it cost £4.5m MWS borrowed £1.7m (40% of the value) to meet the cost of the purchase. That decision to borrow has enabled MWS to purchase Queens Way House. It was noted that the amounts stated in the project costings for risk and inflation allowances were in line with industry standards.

6.6 It was noted that in adding the 2 floors in Options 1a or 2 may create an issue with residents in the houses to the rear of the building, who could be affected by a loss of light. Estimates have been sought from three brokers for insurance cover in the event of claims for compensation. The projected cost of the premium is £100k.

6.7 The HofFR stated that SMT had undertaken a lot of work over recent weeks to understand the affordability of the various options and the required mix of income required going forward. In the context of the value of the building, the level of borrowing is modest. The key factor in determining the level of borrowing is the amount that will be generated through fundraising. The ACE added that the maximum amount of borrowing would be £3m, this assumes no income is generated through fundraising. SMT are confident that the fundraising target can be achieved.

6.8 The Warden stated that the fundraising target for the project is £1.5m.

	<p>Summary details were provided on the work to be done to target individual and corporate donations and plans to submit applications to trusts. It was acknowledged that it was difficult to approach trusts for capital funding until there was confirmation on the funding from S4L and planning permission in place.</p> <p>6.9 The Chair confirmed that there be a rolling programme of submitting applications over the next 18 months. Sian Newton is a professional fundraiser, with experience of fundraising for large capital projects. Further work to be done to identify specialist and mid-range capital funders. Until the size of the funding gap is known it is difficult to go forward either awarded full funding from S4L, part funding or none. The need could be to meet the overrun costs for a new build or just doing a refurbishment.</p> <p>6.10 The Chair clarified the decisions will be required from the Board, possibly before the next scheduled board meeting, so that SMT know how to process when S4L announce the outcome of the funding bid. The budget for the original option 1 has increased, to stay within the original budget would mean that the roof garden and atrium would have to be dropped. Option 1a would allow MWS to keep all the design features originally planned.</p> <p>6.11 The decision was made by a show of hands. Eleven trustees voted for Option 1a. Kim Duong voted for Option 2. It was noted that Andrew Peck had left the meeting before the vote was taken.</p>	
7.	Any Other Business: None	
8.	Confidentiality: None	
9.	Date of Next Meeting: 25 th June 2019	
	The meeting closed at 20:15	

Beverley Campbell
Clerk
March 2019