Minutes of the Finance & Estates Committee held on Thursday 2nd December 2021 at 5pm via Microsoft Teams

Members Present: Alison Hodge
Valerie Little
Liz Sithole (Chair)
Neil Thomas
David Whatton

In attendance: Gill Darwood (Director of Corporate Governance)
Steve Johnson (Executive Director Estates & Capital Projects)
Louise Jones (Chief Finance Officer)
Carl Riding (Vice Principal Curriculum & Performance)

1 Confirmation of quorum and apologies for absence

1.1 Apologies for absence were received from Jason Parker. In his absence the meeting was chaired by Liz Sithole (Vice Chair)

1.2 The Director of Corporate Governance confirmed that the meeting was quorate.

2 Declarations of Interest

2.1 There were no declarations of interest.

3 Minutes of Meeting held on 10th May 2021

3.1 The minutes of the meeting held on 10th May 2021 were agreed as an accurate record for signature by the Chair.

4 Matters arising

4.1 There were no matters arising.

5 Governance Matters

5.1 Committee Terms of Reference 2021/22

5.1.1 The DCG advised that it was considered good practice for Corporation committees to undertake a periodic review of their terms of reference. The terms of reference for the Finance & Estates Committee had been reviewed with the proposed amendments highlighted through tracked changes. The DCG confirmed that the requirement 'to monitor, endorse, approve and/or make recommendations' applied to both finance, estates and capital projects sections. She noted that an item had been added to include the monitoring of risks associated with the work of the committee, in line with the new Risk Management Policy agreed by Corporation.

5.1.2 **It was resolved** To recommend the terms of reference for 2021/22 to the Corporation for approval.

5.2 Committee's Annual Report 2020/21

5.2.1 The DCG presented the report which summarised the work undertaken by the Finance & Estates Committee in 2020/21. Once approved by members the report would be placed in the document library of Convene for access by all Corporation members.

5.2.2 **It was resolved** To approve the committee's annual report 2020/21.

6 Strategic Matters

6.1 Curriculum contribution analysis 2021/22

6.1.1 C Riding presented the paper which provided the committee with an overview of the planned contribution, resource utilisation and average class sizes of the various curriculum areas within the College.

6.1.2 He advised that the report supported the FE Commissioner recommendations around curriculum efficiency and fiscal monitoring and provided further detail on business planning cycles and in-year adjustments to performance.

6.1.3 The report confirmed:

- The curriculum/business plan, demonstrated at the Governor development day in September 2021, had been completed effectively and in line with FE Commissioner guidelines around income, expenditure, average class size, attendance, staff and resource utilisation to ensure an average contribution rate of 55% and a targeted class size depending on key client group.
- That the curriculum/business plan was subject to regular monitoring, review and development as new programmes were planned.
- The College could evidence average class size information by several measures, including by curriculum area, delivery location, mode of delivery and funding stream. Further, that the College could demonstrate ongoing in-year planning as groups grew or were merged and new programmes (including in-year starts) were planned and implemented.
- An explanation around areas not meeting overall targets by exception but with agreed mitigations and/or dispensation (e.g. programmes supporting Learners with Learning Difficulties and/or Disabilities [LLDD] located in Aspire and the Assisted Living Centre, workshop-based technical/practical activity that were limited to capacity for health and safety reasons).

6.1.4 C Riding provided clarification in response to questions from members, noting that the average class size calculation took into account the different requirements for areas of provision such as workshop delivery compared to standard classroom sessions and this was differentiated within the business planning tool.

6.1.5 D Whatton noted that the report would be a recurring item and the CEP explained that the business plan for the committee included a report on a twice yearly basis to look at the year ahead and then an analysis at the year end.

6.1.6 It was noted that due to an error in the FEC spreadsheet template, the forecast trend figures were not meaningful and should be disregarded.

6.1.7 **It was resolved** To note the curriculum contribution analysis for 2021/22.

7 Finance Matters

7.1 Annual Report and Financial Statements 2020/21 (including reconciliation of July Management Accounts)

7.1.1 The CFO presented the draft annual report and financial statements for 2020/21 which showed a year-end position of a positive outturn compared to forecast, which was a significant achievement following such a difficult and uncertain year. While income was lower than forecast, both pay and non-pay costs returned positive variances, as a result of effective management action in year. At £2.68m EBITDA was £349k better than forecast, and as a percentage of income at 5.9% was 0.9% better than forecast. Most KPIs had been met with the exception of those dependant on income: borrowing as a percentage of income and pay costs as a percentage of income. Cash and cash days were better than expected (£4.96m and 42 days respectively) and loan covenants had been met with substantial headroom.

7.1.2 Other key items to note were highlighted as:

- Balance sheet movement in the 12 months saw an increase in net liabilities of £3.78m. This was predominantly an increase in pension liability (£2.5m) and accruals for repayment of AEB and discretionary learner support to WMCA and ESFA.
- Since the July management accounts presented to Corporation in November, reconciling items of £3.135m had been made, £28k due to audit adjustments and £3.163m for FRS102 adjustments.
- The report also provided further detail on the college's pension liabilities.

7.1.3 The CFO confirmed that all external audit work had now been concluded with one adjustment made since publication of this report, but this would be included in the version to be presented at the Corporation meeting for approval. This adjustment related to capital grants for IoT and had resulted in an improved current ratio which now exceeded the KPI.

7.1.4 There remained two outstanding queries, one relating to the Local Government Pension Scheme in terms of employer contributions and one on the clawback by WMCA for AEB (which would be a maximum of £1.5m), which was fully accrued in the accounts. A decision was expected on this from WMCA and they had indicated this would be by Tuesday 7th December.

7.1.5 The balance sheet showed negative movement of £3.78m compared to 31 July 2020. £2.5m of this was in respect of pension provision and the remaining movement was attributed to the increase in creditors due within one year, reflecting repayment of AEB and discretionary learner support fund to WMCA and ESFA.

7.1.6 The large increase in fixed assets related to investment in the IoT and creditors falling due after one year related to the DfE capital grants for the IoT development.

7.1.7 The paper also included a reconciliation to the July 2021 management accounts and it was noted that adjustments had been made in relation to AEB bursary and VAT as a result of journals being incorrectly posted during the year. The commitment accrual was released on the basis that this was the sum of smaller year-end commitments where it was difficult to identify whether the goods/services had been received prior to year end. Provision had been made for the cash balance of £102k in the Saudi bank account which was an ongoing issue due to changes in College personnel who were named on the existing bank mandate.

7.1.8 Members also noted the summary in relation to pension contributions for both the Teachers' Pension Scheme and Local Government Pension Schemes.

7.1.9 The college's financial health score continued to be Requires Improvement. The points scored would be slightly higher when presented to Corporation due to the change in the solvency measure and would be in line with forecast.

7.1.10 The CFO answered questions from members relating to the accounts and provided further clarification as necessary.

7.1.11 **It was resolved** To recommend the annual report and financial statements 2020/21 to the Corporation for approval, subject to amendments to be presented.

7.2 Management Accounts – October 2021

7.2.1 The management accounts for October 2021 showed the position three months into the new financial year. The key points from the first operating quarter were noted as:

- Operating surplus was slightly ahead of budget and EBITDA slightly better than budget.
- Turnover was slightly below budget (due to apprenticeships) however this was offset by lower than expected pay and non-pay costs.
- All KPIs were met.
- The rolling cashflow forecast had been updated, reflecting an improved position, which was slightly lower than July 2022 forecast.
- Loan covenants continued to be comfortably met and financial health remained at Requires Improvement in line with plan.

7.2.2 The CFO highlighted the current debtor days and advised that the College's internal auditors had been requested to look at credit control during their internal audit of financial systems in January in order to suggest improvements in this area to reduce the current level.

7.2.3 It was noted that the cashflow showed an improved position compared to November forecast, with potential AEB clawback assumed at £340k to be retained and the remainder payable monthly which smoothed the cashflow position. Capital expenditure had been modified for the remainder of the year.

7.2.4 The cashflow showed a low point at March 2022 and the CFO explained that this would need to be carefully managed.

7.2.5 In response to a question from V Little relating to the revolving credit facility, the CFO explained that this was profiled on the basis of a final repayment date of 2025 but that if this could be achieved sooner it could be considered.

7.2.6 **It was resolved** To recommend the management accounts to October 2021 to Corporation.

7.3 Enrolment dashboard update and financial impact

7.3.1 The CFO presented an update on enrolments for the year to date by funding stream and the financial impact as at the end of November 2022.

- ESFA funded 16-18 learners showed a current position of 4,726 which was 134 lower than the same point last year against a target of 5,200 and an allocation of 4,949. There was variation in recruitment across curriculum areas, which some performing ahead of target and others below. 16-18 learners were still being recruited and a January offer would be launched in areas with capacity.
- Adult AEB funded learners were at 2,522 against a target of 3,080, but much more positive than the previous year with plans in place to maximise recruitment in year.
- Apprenticeship starts in 2021/22 would generate average programme funding of £12.5k compared to a target of £11.1k. Currently due to the lengthy enrolment process 30 starts were still being processed and a further 13 in December and 44 in the pipeline.

7.3.2 In terms of employer engagement, the presentation showed the top five employers in 2021/22 who between them were generating £1.46m of income for the duration of the programmes.

7.3.3 The CEP noted that there had been substantial growth of full time learners in 2020/21 against a fall in apprenticeships, and this year seemed to have moved back the other way, which was most likely attributable to the impact of the pandemic.

7.3.4 **It was resolved** To note the enrolment dashboard update.

7.4 Fees policy 2022/23

7.4.1 The CFO presented the fees policy which was revised annually to reflect changes in funding agency rules and fees. The revised fee policy also incorporated the fee refund policy. The purpose of the policy was to set out the framework for fees and charges for 2022/23, the process for payment of fees, the options that were available for payment of fees and the sanctions that would be applied in the event of a default. The College was committed to ensuring that its course fees were fair and represented value for money. The College also committed to providing clear information about its fees, concessions and payment methods. The policy had no material changes from the approach adopted in 2021/22 however set out in much more detail the fees set against each funding stream.

7.4.2 **It was resolved** To recommend the Fees Policy for 2022/23 to the Corporation.

8 Development and capital projects update

8.1 Capital projects and estates update

8.1.1 S Johnson presented the paper which provided an overview of capital projects and estates matters as follows:

- The Institute of Technology completed on 23rd August 2021 and opened to students on 1st September. The project was approximately £260,000, underspent excluding additional Covid costs.
- The refurbishment of the science labs for T Levels completed on 8th September 10 days late and was estimated to be £29,000 over budget due to additional structural works found during the build.
- The hanger of Advance II was successfully converted for use by electrical installation students, to free up space at the CAT Centre. It opened for use at the beginning of September.
- The Towns Fund project was successful in obtaining the funding at stage I and a stage 2 bid was being prepared for submission in January 2022. The proposal had been progressed and obtained planning permission on 17th November 2021.

- The Capital Transformation Fund bids submitted in March 2021, were successful being approved in July 2021, and Stage 2 bids were submitted with more detail on 8th October 2021. Outcomes were expected in Spring 2022.
- The college received notification on the 20th October that the Post 16 Capacity Fund bids were not approved.

8.1.2 In response to a question from D Whatton who asked what alternative plans were in place should the applications for Capital Transformation Funds be unsuccessful, S Johnson advised that a number of alternative plans were in place, depending on whether full, part or no funding was received.

8.1.3 **It was resolved** To note the capital projects and estates update.

9 Partnerships and sub-contracting

9.1 Partnerships (sub-contracting) review 2020/21

9.1.1 C Riding presented the paper which provided the committee with an overview of the college's out-turn activity for employer partnership and subcontracting provision for 2020/21 and the monitoring arrangements in place.

9.1.2 Members noted that:

- The total activity relating to subcontracting for 2020/21 was £2.21m comprising £1.87m apprenticeship and £0.34m of adult education income. The college planned to make payments in the region of £1.75m.
- Monitoring arrangements for subcontracted provision were detailed in section 2 of the report. No contractual compliance or control issues were found with sub-contracting arrangements or documentation during the most recent audit.
- Appendix 1 provided a summary of all sub-contractor partner's income and payments for 2020/21.
- Appendix 2 provided a summary of all sub-contractor partner's achievement in 2020/21.

9.1.3 C Riding noted that the levels of performance of sub-contractors had necessitated withdrawal from some partnerships and the future focus as previously agreed would be on high value niche areas which met local, regional or national skills priorities.

9.1.4 In response to a question from A Hodge, C Riding advised that many sub-contractors also had their own direct contracts with ESFA. He detailed arrangements around the high quality support from the Dudley team for these partners and the work undertaken in ensuring that partners were achieving the best possible standards for learners.

9.1.5 **It was resolved** To endorse the activity and monitoring arrangements in place.

9.2 Partnerships (sub-contracting) plan for 2021/22 and termly monitoring report

9.2.1 C Riding presented the report which provided the committee with an overview of the college's planned employer partnership and subcontracting provision for 2021/22 and the monitoring arrangements in place.

9.2.2 Members noted that:

- The total activity relating to subcontracting for 2021/22 was planned to be £1.84m comprising £1.35m apprenticeship and £0.49m of adult education budget (AEB) income. The College planned to make payments in the region of £1.41m.

- Appendix 1 provided a summary of all sub-contractor providers and the value of expected income in 2021/22.
- Appendix 2 provided a summary of all employer partners.
- It was expected 'niche' high-value partnerships may continue to be required as more technical curricula were introduced (including within the Institute of Technology).
- New partnerships with Higher Education Institutions were planned to come on-board from 2022 onwards.

9.2.3 In relation to appendix 2, the Chair asked why income values were not included for these employer partners. C Riding explained that these were partners rather than sub-contracted provision but that the information had been included in the report in the interests of transparency.

9.2.4 In response to a question from the Chair, C Riding confirmed that key performance indicators and minimum levels of performance were written into each contract. He advised that where the College was withdrawing from a contract, existing learners would be supported to completion where possible.

9.2.5 **It was resolved** To recommend the partnerships plan for 2021/22 to the Corporation.

10 Date of Next Meeting

10.1 The next meeting of the committee would be held on 18th January 2021.

11 Any Other Business

11.1 *This matter is the subject of a separate and confidential minute.*

The meeting closed at 18.30.

Approved by the committee at the meeting held on 18th January 2022.