

**Part I Minutes of the Corporation Meeting held on Tuesday 21<sup>st</sup> June 2022 at 4.30pm in Conference room 1, Broadway**

Members present: Lord Ian Austin (Teams) Sukhninder Panesar  
Liam Butler Jason Parker  
Wendy Davies Liz Sithole (Teams)  
Nirmal Gupta Jack Stokes  
Charlie Harvey Neil Thomas (Chief Executive & Principal)  
Mollie-Amelia Hehir David Whatton (Chair)  
Alison Hodge (Teams) Andrew Woodford  
Valerie Little

In Attendance: Georgina Barnard (Managing Director – IoT)  
Gill Darwood (Director of Corporate Governance) (DCG)  
Debbie Goode (Executive Director Public Affairs & Marketing)  
Steve Johnson (Executive Director Estates & Capital Projects)  
Kathryn Jones (Director of Human Resources)  
Louise Jones (Chief Finance Officer) (CFO)  
Diana Martin (Vice Principal)

**1 Confirmation of quorum**

1.1 The Director of Corporate Governance confirmed that a quorum was present.

**2 Apologies for absence**

2.1 Apologies for absence had been received from Wendy Brissett.

**3 Declarations of interest**

3.1 There were no declarations of interest in relation to part I items.

**4 Approve minutes of previous meeting (22.03.2022 minutes and Development Event 06.05.2022 notes)**

4.1 The minutes of the meeting held on 22<sup>nd</sup> March 2022 were confirmed as a true record for signature by the Chair.

4.2 The notes of the development event held on 6<sup>th</sup> May 2022 were noted.

**5 Matters arising**

5.1 There were no other matters arising not covered on the agenda.

**6 F&E Committee Business Plan for 2022/23**

6.1 The DCG presented the business plan for the Finance and Estates Committee which provided an indication of business and reports which would be submitted to the meetings for the Committee scheduled for 2022/23. Following subsequent discussions, it was proposed to move the February meeting date to 13<sup>th</sup> March 2023 in order to align it more closely to the subsequent Corporation meeting.

6.2 **It was resolved** To approve the business plan for 2022/23 and to agree the meeting dates for the Finance & Estates Committee as 1/12/22, 13/3/23 and 11/5/23.

## 7 **Minutes of Finance & Estates Committee held on 9.5.22**

7.1 J Parker as Chair of the Finance & Estates Committee presented the draft minutes of the meeting held 9<sup>th</sup> May 2022 and highlighted a number of items covered at the meeting some of which were recommended for approval by the Corporation and included on the current agenda.

7.2 **It was resolved** To note the minutes of the Finance and Estates Committee on 9<sup>th</sup> May 2022.

## 8 **ESFA financial statements review 2021**

8.1 The CFO advised that the ESFA annually undertook a review of the College's financial statements and confirmed their assessment of the College's financial health. The letter confirmed that the ESFA had agreed with the College's assessment of Requires Improvement. It was noted that the TTPL accounts for 2020/21 had not been required to be submitted to the ESFA as the company was dormant.

8.2 Previously the ESFA included a dashboard of financial information with this letter, however they were now directing governors to access this data through the "View your education data" portal. Instructions for governors to access this information were included in the paper and screenshots of the information available on the portal were also provided. Data up to and including financial year 2020/21 was actual; data from 2021/22 onwards was based on the College financial forecast report (CFFR) submitted to the ESFA in July last year.

8.3 In response to a question from W Davies, the CFO advised that the threshold for Requires Improvement was 130 and the College was currently at 140. The CFO did not consider that there was a risk of moving into the 'inadequate' category. She advised that the ESFA were currently further reviewing the calculation of financial health.

8.4 In response to a question from N Gupta, the CFO advised that the cash flow reflected the level of adult funding which had been received but which may be subject to clawback if not delivered.

8.5 **It was resolved** To note the ESFA financial statements review 2021.

## 9 **Management accounts to April 2022**

9.1 The CFO presented the April management accounts which included a year-end forecast with comparison to the revised budget approved by Corporation in January.

9.2 The key points in relation to the year to date position were noted as:  
– The April management accounts showed an improvement in the year-to-date position from the previous month with an operating position of £377k (£26k below budget). This was being driven by the start of a

release of accruals from the balance sheet in anticipation of the year-end position.

- Income continued to be the biggest risk with adverse variances against apprenticeships and Adult Education Budget (AEB) of £1.2m (19%) and £1.9m (41%) respectively.
- Key Performance Indicators showed an improving position compared to prior month however EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) continued to have a red flag, which was triggered where the adverse variance was 10% or more than budget.
- The cash position continued to remain positive, tracking above the budget set in the College Forecast Financial Return (CFFR) by £2m. The gap was narrowing towards the year end, particularly with the plan to repay part of the revolving credit facility in July. The impact of reduced AEB income this year would have a significant impact on cash levels in 2022/23 and discussions with West Midlands Combined Authority (WMCA) on a proposed repayment profile were ongoing.
- An analysis of financial health and loan covenant measures showed the College was on track to achieve a financial health of Requires Improvement and to meet loan covenants.
- The sensitivity analysis showed a best case and worst case position compared to the year-end forecast. The best case scenario showed the College achieving a very positive operating position of £1.3m surplus. The worst case scenario showed a deficit of £1.7m, which would just fall short of the EBITDA bank covenant, however it was extremely unlikely that the College would return this result.
- The management accounts now included a summary of Discretionary Learner Support Fund (DLSF) spend showing that of the £2.075m available, year to date spend was £938k. A forecast spend to the end of the year of £1.403m meant an underspend of £672k.

9.3 The key points in relation to the year end forecast were noted as:

- A deficit of £881k was forecast at the year-end, £246k worse than the revised budget deficit of £634k. This was a result of:
  - Shortfall in income of £3.97m (16-19 tuition fund/College Development Fund (CDF) £600k, Apprenticeships £1.2m, AEB £2.3m)
  - Underspend on pay £1.3m
  - Underspend on non-pay £2.1m
  - Positive variance on other gains and losses £300k
- It was assumed that repayments of AEB and ESFA income occurred up to April 2023. As a result cash was £3m lower than CFFR, and a balance of £2.484k in April 2023 calculated as 20 cash days.
- The predicted year end College financial health score remained at 140 (as reported at the previous meeting), against a target of 170. This was a result of the deteriorating EBITDA position.

9.4 It was noted that the May management accounts would be presented to the Corporation on 5<sup>th</sup> July for further consideration.

9.5 **It was resolved** To approve the management accounts to April 2022.

## 10 **Learner Financial Support Policy (updated for 2021/22) and policy for 2022/23**

- 10.1 D Goode presented the updated Learner Financial Support Policy for the current year and the policy for 2022/23. The 2021/22 policy had been approved by Corporation previously. It had however been amended in order to increase the household income threshold by which students were offered support from £25,000 to £35,000. This had allowed the College to help more students this academic year and ensure that the allocation of support funds was fully utilised.
- 10.2 The 2022/23 policy also reflected this change in income threshold but had also been substantially re-written to make the document clearer and more accessible although there were no material changes.
- 10.3 **It was resolved** To approve the Learner Financial Support Policy for 2021/22 and 2022/23.

## 11 **Financial regulations annual review**

- 11.1 The CFO presented the financial regulations which had been reviewed and compared to a number of best practice models from other FE colleges. The main changes were noted as:
- Some content removed to avoid duplication with other policies/documents.
  - Role titles updated to reflect current College structure.
  - Some revised content to reflect sector best practice.
  - Some content updated to reflect existing practice.
- 11.2 A substantial change had been proposed to the capitalisation threshold for fixed assets, increasing from £1,000 to £3,000. A number of colleges had reviewed their capitalisation threshold and a review showed that this was between £1,000 and £5,000. For the College's current size a threshold of £3,000 was considered to be proportionate. Had this threshold been in place for the current academic year, assets with a value of £75,000 would have been allocated as revenue rather than capital.
- 11.3 In response to a request from the Chair, the CFO provided further clarification in relation to capitalisation and its impact on the income and expenditure account. C Harvey considered that for a college of this size, the level was appropriate, which was supported by J Parker.
- 11.4 **It was resolved** To approve the financial regulations.

## 12 **Gifts and Hospitality Policy**

- 12.1 K Jones presented the Gifts and Hospitality Policy which was intended to communicate the College's position for both staff and Corporation members about giving and receiving gifts, hospitality or other benefits, and to reinforce the College's commitment to the highest standards of openness, integrity and accountability and compliance with the Bribery Act 2010.
- 12.2 The policy had been reviewed and any changes were tracked in red. The changes reflected changes to job titles and responsibilities.

12.3 **It was resolved** To approve the Gifts and Hospitality Policy.

13 **Partnerships and Subcontracting Plan for 2022/23**

13.1 The VP presented the partnerships and subcontracting plan for 2022/23 which provided the Corporation with an overview of the College's planned subcontracting provision for 2022/23 and the monitoring arrangements in place. It also provided an update on the employer partnership and other managing agent (OMA) activity.

13.2 The report noted that:

- The total activity relating to subcontracting for 2022/23 was planned to be £1.1m. The College planned to make payments in the region of £0.83m.
- Monitoring arrangements for sub-contracted provision were detailed in section 2.
- Appendix 1 provided a summary of all sub-contractor providers and the value of expected income in 2022/23.
- Appendix 2 provided a summary of all employer partners.
- Appendix 3 provided a summary of all other managing agents.
- It was expected 'niche' high-value partnerships may continue to be required as more technical curricula were introduced including within the Black Country & Marches Institute of Technology.
- New partnerships with Higher Education Institutions were planned to come on board from 2022 onwards.

13.3 The VP provided further clarification in response to questions from members. She advised that the College had successfully executed the planned reduction in subcontracting, which had seen a gradual reduction in the overall volume of traditional subcontracted provision. However, the College would continue to consider developing and growing new, specialist, high-value, strategic partnerships, for example to meet the requirements of the Institute of Technology.

13.4 The VP explained the process for selecting new partners, which included a quality assurance process, approval by SLG and undertaking due diligence. Any new partnerships would be included in the plan and brought to the Finance & Estates Committee and Corporation for approval. The CFO advised that subcontracting was also externally audited.

13.5 **It was resolved** To approve the Partnerships and Subcontracting plan for 2022/23.

14 **Confidential - Human Resources proposal**

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

15 **College Financial Forecasting Return (CFFR) and 2022/23 budget**

15.1 The CFO presented the completed budget and College Financial Forecast Return (CFFR) which had been prepared in accordance with the ESFA College

financial planning handbook 2022. The budget was set in conjunction with budget holders and aimed to support the achievement of the College's strategic priorities.

- 15.2 The 2022/23 budget was based on known funding allocations, or reasonable estimates where these were not yet received, budget holder requests informed by planned student recruitment and other factors such as inflation. Staffing was based on the curriculum plan which had been reviewed at course level by senior managers to ensure that efficiency measures were achieved.
- 15.3 The proposed budget for 2022/23 compared to the forecast outturn in 2021/22 was noted. Staff costs would be subject to amendment following discussion under the previous item.
- 15.4 There were some income risks within the proposed budget, however the College had mitigated against these by including a contingency of £1m within non-pay costs. These risks were dealt with further in the sensitivity section in the commentary, where more detailed actions to address adverse variances were listed.
- 15.5 Within the budget, members were asked to approve the College's capital expenditure programme, that had a total cost of £4.675m. £3.375m was funded by the Department for Education for the IoT equipment and Capital Transformation Fund project. The remainder was funded by £700k College funds and £600k leased.
- 15.6 The financial return demonstrated that the College continued to achieve the indicators set out in the financial strategy. The financial health of the College was Requires Improvement for 2022, and Good in subsequent years.
- 15.7 It was noted that the accompanying commentary was in line with the financial handbook and must be submitted to ESFA with the CFFR.
- 15.8 The CFO and CEP provided further clarification in response to questions from members and provided additional detail in relation to the assumptions used to compile the budget in respect of income, pay and non-pay.
- 15.9 The CFO advised that the budget for TTPL was consolidated into these figures and would be taken to the TTPL Board for approval. The TTPL performance in the current year had been ahead of forecast performance, achieving a deficit of £229k against a budget of £461k.
- 15.10 In response to a question from the Chair the CFO advised that the financial auto grade was showing as inadequate however this was not a cause for concern and the strategy was considered to be robust. Members noted the performance against the FE Commissioner measures which were included within the report.
- 15.11 C Harvey noted that covenant compliance was detailed within the report and showed reasonable headroom. The sensitivity analysis showed that the worst

case scenario was an unlikely position where covenants would be breached and this would be closely monitored to mitigate against this occurrence.

- 15.12 The Chair suggested that it would be helpful when representing the budget at the next meeting to consider in more detail the yellow flags within the sensitivity analysis.
- 15.13 The CFO advised that she would make the full CFFR return available in the document library in Convene.
- 15.14 **It was resolved** To note the update in relation to the College Financial Forecasting Return (CFFR) and 2022/23 budget.

#### 16 **Any Other Business**

- 16.1 There were no items of any other business.

#### 17 **Date of next meeting**

- 17.1 The next meeting would be held on Tuesday 5<sup>th</sup> July 2022 at 4.30pm.

*M Hehir, J Stokes, A Woodford, G Barnard, D Goode, S Johnson, K Jones, L Jones and D Martin left the meeting.*

The part two meeting was the subject of a separate confidential minute.

*Approved by the Corporation at the meeting held on 5<sup>th</sup> July 2022.*