Minutes of the Finance & Estates Committee held on Tuesday 18th January 2022 at 5pm via Microsoft Teams

Members Present:	Alison Hodge Valerie Little Jason Parker (Chair) Liz Sithole 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 There were no apologies for absence.

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 2nd December 2021

3.1 The minutes of the meeting held on 2nd December 2021 were agreed as an accurate record for signature by the Chair.

4 Matters arising

4.1 There were no matters arising.

5 Finance Matters

5.1 Management Accounts – November 2021

5.1.1 The CFO presented the management accounts for November 2021 which showed the position four months into the new financial year. The key points to note were:

- Total income was £1,042k lower than the year-to-date budget largely due to a shortfall in AEB and apprenticeship income.
- AEB income showed actual income generated based on enrolments up to the end of November. This was a change from previous months as clean and therefore accurate data was now available in order to report actual activity. AEB income was running £635k lower than budget. The senior team had prepared a plan to address this shortfall with immediate implementation in January.
- Apprenticeship income was £407k lower than budget. There was a surge in enrolments at the end of November and during December which were expected to address some of this shortfall. The senior team were reprofiling planned starts for the rest of the year to ensure that budget income was achieved.

- KPIs for operating surplus and EBITDA were now flagged as red as a result of this variance in income.
- Cashflow was being tightly managed. WMCA had requested that the 2020/21 clawback was paid over the four months from January to April, and therefore coincided with the lowest annual cashflow point. The College would carefully manage this position to avoid any requirement to draw further on the revolving credit facility. There was no impact on bank covenants which the College continued to meet.

5.1.2 The CFO provided further clarification on points of detail within the accounts. She explained that, since production of the report, the cash days at March 2022 had been increased to 18 days as a result of a removal of some of the year end accruals.

5.1.3 V Little requested further clarification of the 16-18 shortfall compared to forecast, which the CFO advised would be covered in the later agenda item on enrolments. She explained that due to the lagged funding methodology, in financial terms this would not impact the current year but would be reflected in funding for next year.

5.1.4 A Hodge requested further clarification on apprenticeship income and the CFO advised that the year to date figure was for the first four months and plans were in place to meet the full year target.

5.1.5 The Chair asked if there was any potential for challenging the WMCA request for repayment over a 4 month period, the CEP advised that this had already been requested but had been unsuccessful.

5.1.6 **It was resolved** To recommend the management accounts to the Corporation.

5.2 **In year re-forecast 2021/22**

5.2.1 The CFO presented the revised forecast which incorporated changes to the College's financial position that had occurred since the budget was approved by Corporation in July 2021. The presentation and appendices showed the key changes which the CFO summarised as:

- Income had increased by £190k. This incorporated a number of larger movements in relation to ESFA 16-18, Local Authority High Needs, apprenticeships and smaller values across other income sources. The College had identified delivery risks particularly in relation to AEB and apprenticeships and had implemented a targeted action plan to ensure the income targets were achieved.
- Pay costs had fallen by £907k. This reflected the current staffing establishment, approved vacancies and expected use of agency and hourly paid staff. The value of the monthly payroll was running well below budget and this level of saving therefore appeared to be achievable.
- Non-pay costs had increased by £1,600k. This was due to the creation of a £2m contingency budget within non-pay and was shown on the I&E under 'Other operating expenditure'. This contingency mitigated the risk of under-achieving income targets and would only be released when there was clear evidence that the plan to target AEB and apprenticeship recruitment was having impact and on the approval of the CEP only.
- There was £511k positive variance below the EBITDA line due to an increase in release of capital grants and reduction in interest payable.
- There were two key changes to KPIs:
  - A reduction in EBITDA as a result of the creation of the £2m contingency, although overall operating deficit remained the same. Although considered

unlikely, this had the potential to impact on bank covenants and would be managed carefully to avoid this scenario. There was a drop in financial health score by 10 as a result of the lower EBITDA.

- A reduction in cashflow and therefore current ratio as the budget had not accounted for repayment of Adult Education budget (AEB) and Discretionary Learner Support Fund (DLSF) clawback and this too reduced the financial health score by 10.

5.2.2 The CFO provided further explanation of the assumptions which had been applied to arrive at the revised budget. She advised that the changes represented no overall change to the bottom line in the reforecast.

5.2.3 D Whatton requested further clarification in relation to the minimum level of EBITDA which was required to cover borrowings. The CFO advised that at the revised figure of 7.1% the EBITDA was still above that level. She noted that this was an improved position compared to the 2021 level of 5%, although more prudent than the original budget which had not included any provisions for clawback.

5.2.4 D Whatton requested further explanation of the interpretation of the bridging graph, which the CFO provided. She explained that this was a graphical representation to map each change to the operating position, thereby illustrating the cumulative effect of each movement from the start to the end position.

5.2.5 The CEP provided further explanation in relation to the £2m contingency, which was intended to cover any unforeseen further impact of Covid in the event that the planned income could not be realised. In response to a question from the Chair regarding the likelihood that this would be needed, the CEP advised that it was likely that a portion of this would be needed, with an area of particular concern being on adult income, where despite an increased offer and marketing activity, this was not currently translating into enrolments.

5.2.6 In response to a question from A Hodge, the CFO explained that the £2m contingency comprised savings in pay, a small increase in income, release of capital grants and reduction in interest payments. This contingency would only be released if there was confidence in achieving budgeted income.

5.2.7 **It was resolved** To recommend the in-year reforecast 2021/22 to the Corporation for approval.

5.3 Enrolment dashboard update and financial impact

5.3.1 The CFO provided a presentation on enrolments to date and their financial impact. The key points of the presentation noted that:

5.3.2 *Full time 16-18 year olds*

- Student recruitment was currently 150 students below the same point last year.
- Based on current profile this was expected to impact next year's funding value, however an increase in funding rates was expected to offset this. The likely impact was currently being calculated.
- The College was continuing to recruit 16-18 year old students in year to protect the funding allocation in 2023/24.

- Fewer students were undertaking English and mathematics resits due to their grades on entry being higher as a result of the Teacher and Centre Assessed Grades process undertaken in 2020 and 2021.

5.3.3 *Adult Education Budget*

- Adult recruitment was showing a much more positive position than the prior year.
- Although behind target, plans were in place to maximise recruitment opportunities in year to deliver AEB budget:
  - Refreshing employer engagement brochure to provide a full catalogue of training opportunities including fully funded AEB programmes for WMCA residents.
  - Developing entry to vocational training for ESOL learners (care, warehousing, hospitality).
  - Offering bespoke open events by sector throughout January.
  - Working with partners such as Job Centre Plus.

5.3.4 *Apprenticeships*

- On average starts in 2021/22 generate programme funding of £12.2k compared to a target of £11.2k.
- 125 starts were currently being processed.
- 107 starts were profiled for January, and there were 58 vacancies being advertised.

5.3.5 *National context*

- Overall 16-19 numbers in colleges were down (by 7,000 students), reducing lagged funding in 2022/23.
- ESFA funding rates had increased but a reduction in disadvantage funding was expected (mathematics and English) due to impact of Centre/Teacher assessed grades.
- The funding toolkit had been released to allow colleges to estimate 2022/23 16-18 funding.
- AEB tolerance was set at 97%.

5.3.6 The CEP noted that there was a movement from full time programmes back to apprenticeships in some areas as the economy began to return to normal activity following the impact of the pandemic, which was rebalancing the previous movement of learners from apprenticeships to full time programmes seen during lockdown.

5.3.7 In response to a question from D Whatton in relation to the confidence underlying the target numbers, the CFO and CEP advised that the targets largely reflected the same level of activity as the previous year and had been calculated prudently assuming no growth. In relation to partnership activity, the reduction was as a result of the planned strategy and was offset by an increase in direct College provision, which would have a positive impact.

5.3.8 **It was resolved** To note the enrolment update.

5.4 **Treasury Management Policy review**

5.4.1 The CFO presented the Treasury Management Policy which had been updated to reflect the change in senior officer titles. Operational detail had also been removed and an annex had been added, detailing the limits on the CFO's investment powers and the approved institutions that the College would invest with. The College was not expecting to have substantial sums to invest however the inclusion of these limits was considered to be good practice. She confirmed that there were no material changes to the policy.

5.4.2 It was noted that CIPFA were currently consulting on the treasury management code of practice. The revised code was expected to be published during 2022. The next revision of the College's treasury management policy in January 2023 would reflect the updated CIPFA code.

5.4.3 **It was resolved** To recommend the Treasury Management Policy to Corporation for approval.

5.5 Insurance annual report

5.5.1 The CFO presented the Annual Insurance Report which showed the insurance cover in place over College assets and had been prepared to support the College's self-assessment of compliance with regularity and propriety requirements in terms of providing evidence that College assets were adequately safeguarded.

5.5.2 The College's insurance provision helped manage risks to the College by providing insurance cover for College assets, staff, students and visitors, as well as employer and public liability cover. Insurance cover was renewed annually but was reviewed throughout the year to assess its adequacy and ensure it appropriately reflected any changes to the operational activities of the College and its assets in-year.

5.5.3 The College had also approached Zurich for a quotation on Cyber insurance cover to assess the need to insure the College's financial losses in the event of a cyber-attack or data breaches.

5.5.4 The College would be using the CPC framework for tendering its insurance provision, for a 3-year period starting 1 August 2022, and extended thereafter for a further 2 years.

5.5.5 **It was resolved** To recommend the insurance annual report to the Corporation.

5.6 Risk register update

5.6.1 The CFO presented the risk register update, advising that three of the eleven strategic risks were relevant to the Finance and Estates Committee, being:

- Delivery of the IoT business plan, net risk score 6.
- Ability to attract and retain staff with the right skills, net risk score 6.
- Unforeseen circumstances impacting on financial stability, net risk score 6 (increased from 4 since December).

5.6.2 The CFO advised that good progress had been made with the actions, and most were complete or on track. Two actions were subject to some delay but with actions to address the delay in hand.

5.6.3 **It was resolved** To note the risk register update relating to Finance & Estates committee.

6 Partnerships and sub-contracting

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

7 Date of Next Meeting

7.1 The next meeting of the committee would be held on Monday 9th May 2022 at 5pm

8 Any Other Business

8.1 No further matters were raised.

The meeting closed at 18.05 hours.

Approved by the committee at the meeting held on 9th May 2022.