Minutes of the Finance & Estates Committee held on Monday 9th May 2022 at 5pm in Conference Room 2, Broadway

Members Present:	Alison Hodge Valerie Little Jason Parker (Chair) Liz Sithole (via Teams) Neil Thomas
In attendance:	Gill Darwood (Director of Corporate Governance) Debbie Goode (Executive Director Public Affairs & Marketing) Steve Johnson (Executive Director Estates & Capital Projects) Louise Jones (Chief Finance Officer) Diana Martin (Vice Principal)

Committee administrative matters

1 Confirmation of quorum

1.1 The DCG confirmed that the meeting was quorate.

2 Apologies for absence

2.1 Apologies for absence were received from David Whatton.

3 Declarations of interest

3.1 There were no declarations of interest.

4 Approve minutes of previous meeting

4.1 The minutes and confidential minutes of the meeting held on Tuesday 18th January 2022 were agreed as an accurate record for signature by the Chair.

5 Matters arising

5.1 There were no matters arising.

6 Appointment of Chair and Vice Chair 2022/23

6.1 **It was resolved**: To appoint Jason Parker as Chair and Liz Sithole as Vice Chair for the year 2022/23.

7 Committee Business Plan for 2022/23

7.1 The DCG presented the draft business plan for the Committee for which provided an indication of business and reports which would be submitted to the meetings for the Committee scheduled for 2022/23.

7.2 It was not a rigid document but was intended as a guide and needed to remain flexible to accommodate emerging priorities and unforeseen eventualities which may result in additional considerations for the Committee.

7.3 The content of the business plan was felt to be appropriate and the CFO and DCG agreed to look at potentially moving the January meeting date further into the spring term as it followed closely from the December meeting as currently scheduled. This would be revised prior to submission of the business plan to the Corporation.

7.4 **It was resolved** To approve the business plan and recommend it to Corporation for approval, subject to final confirmation of meeting dates.

Finance & Estates Matters

8 ESFA financial statements review 2020 and 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 ESFA had agreed with the college's assessment of Requires Improvement, as per the letter which was included. The College had not provided a copy of TTPL accounts for 2020/21 to the ESFA as the company was dormant, and this had been confirmed with the ESFA.

8.2 Previously the ESFA had 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 provided. 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 V Little, the CFO advised that the financial health auto grade of 'outstanding' had been due to an error within the ESFA system which had been trialled. Her understanding was that the ESFA had now decided not to proceed with the new scoring system but to modify the current system.

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

9 Students' Union Report and Accounts

9.1 The CFO presented the Students' Union Annual Report and Accounts for the year ended 31st July 2021. The accounts recorded net profit of £6,897 (2020: £5,396) and the total reserves at year end were £19,099 (2020: £12,202), with significant amounts being £16.5k bank and cash and £2.5k tangible fixed assets.

9.2 She advised that the Finance & Estates committee played a role in monitoring student union activity and the associated income and expenditure to ensure funds donated from the College to the Students' Union were used appropriately.

9.3 Members discussed the position in relation to the increase in the level of reserves and J Stokes advised that this was mainly due to savings made as a result of the Students' Union's inability to provide a full range of activities during the Covid lockdown periods. The VP advised that the Students' Union had now returned to a full programme of face to face activities, including plans for promotions and activities during Taster Week. The CEP endorsed the view that the College would prefer to maintain the grant to the Students' Union at its current level in order to maximise their expenditure for the benefit of students.

9.4 **It was resolved** To note the students union report and accounts.

10 **Enrolment dashboard review**

10.1 The CEP provided an update on current enrolments by key client group:

10.2 – *16-18 year old full time learners* – enrolments were slightly behind compared to last year and this would have an impact on lagged funding for the following year.

10.3 – *Adult learners* – enrolment numbers had increased compared to the same point last year at 4,800 learners, which was almost at pre-Covid levels. However income generated from these enrolments was falling short of the allocation due to the different nature of adult education which was focused on short sharp interventions which were funded by WMCA.

This was a sector wide issue and the CEP advised that discussions were ongoing with the combined authority on any potential adjustment to funding rates from September 2022. He explained that the nature of the provision involved more activity outside of direct delivery in terms of employer engagement and placing learners into jobs.

Members expressed the view that, from a strategic position, it was important for the College to offer programmes which were financially viable. The VP advised that the base funding rate for many adult courses had not changed for 13 years and whilst this had been manageable during a low inflationary period this was no longer the case in the current environment where costs had increased significantly.

The CEP noted that for programmes such as the Sector-based Work Academy (SWAP) programme which had relatively low numbers on each course, it may be preferable to receive funding on a per course rather than per learner basis. In response to a question from the Chair, the VP explained the College's usual approach to curriculum planning which was based on a contribution rate of 55% however this was very difficult to achieve on this type of provision.

The CEP advised that the WMCA were working positively with colleges on this issue however it was not yet known if there would be any flexibility on potential claw back for the current year.

10.4 – *Apprenticeships* – enrolments were building back towards pre-Covid levels but had tailed off somewhat in recent months. This was attributable to the current economic environment where employers were making more short term decisions, and also their ability to access training through other funding such as adult education budget. For these reasons, the CEP advised that the College was assuming that apprenticeship enrolment numbers may not return to the high numbers seen prior to the pandemic.

In response to a question from V Little, the CFO confirmed that a proportion of the apprenticeship funding still to come was based on achievements. The CEP noted that the impact of this would be seen both in the current year and going into the next year where programme end dates fell into the following financial year. He explained that monthly achievement meetings were taking place with staff to maximise this position.

10.5 – *Subcontracted apprenticeships* – enrolments were running at the planned reduced level as part of the College's strategy to reduce sub-contracted provision.

10.6 **It was resolved** To note the enrolment data dashboard review.

11 Review of risk register

11.1 The CFO presented the review of the risk register which provided committee members with an update on risks relating to finance and estates.

11.2 There were three risks relevant to this committee; the risk relating to Covid had now been removed from the risk register. These were detailed as follows:

- The college was unable to deliver the IoT business plan: net risk 8
- The college was unable to attract and retain staff with the right skills: net risk 6
- Potential financial instability caused by a range of factors: net risk 9

11.3 All three had a high risk of probability and extensive action was being taken to manage these risks. All actions were either complete or on track.

11.4 In response to a question from V Little in relation to the impact rating of the risks, the CFO explained that the financial risk was considered to have a more significant impact on the overall College operations than the staffing risk, as the College largely had the right staff with the right skills, therefore any shortage would have a less significant impact.

11.5 **It was resolved** To note the risk register update.

12 Partnerships (sub-contracting) plan termly monitoring report

12.1 The VP presented the partnerships plan termly monitoring report which provided the committee with an overview of the college's employer partnership and subcontracting provision for 2021/22 and the monitoring arrangements in place.

12.2 In summary:

- The total activity relating to subcontracting for 2021/22 was planned to be £1.87m comprising £1.36m apprenticeship and £0.5m of adult education budget (AEB) income. The college planned to make payments in the region of £1.41m.
- 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 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 Black Country & Marches Institute of Technology).
- New partnerships with higher education institutions were planned to be introduced from 2022 onwards.

12.3 In response to a question from the Chair, the VP advised that the level of income compared to previous years was reduced and that this was an intentional reduction year on year in line with the strategy to reduce subcontracted provision. It was likely however that specialist provision through secondment would increase through the IoT provision.

12.4 In relation to the margins in this area of provision, the CFO advised that this was highly regulated activity and was quite labour intensive for the College to manage effectively.

12.5 **It was resolved** To note the partnerships plan termly monitoring report.

13 **Capital Development projects update**
This matter is the subject of a separate and confidential minute.

14 **Management accounts to March 2022**

14.1 The CFO presented the March management accounts which included a year-end forecast with comparison to the revised budget approved by Corporation in January. The key points to note were as follows:

14.2 *Year to Date Position*

- The March management accounts showed a decline in the year-to-date position from the previous month.
- At £995k the operating deficit was 34% bigger than the budget deficit of £744k.
- Income continued to be the biggest risk with adverse variances against apprenticeships and AEB of £1,090k (19%) and £1,702k (41%) respectively. The negative variance against other funding body grants included the underspend on adult bursary.
- The majority of this shortfall in income was being offset by tight control of pay and non-pay budgets. However KPIs showed a similar position to the prior month with operating surplus and EBITDA having red flags.
- Cash position continued to remain positive, tracking above the budget set in the CFFR by £2m. The gap was expected to narrow towards the year end, particularly with the planned repayment of £500k on the revolving credit facility in June.
- An assumed 100% clawback by WMCA was included as a worst case scenario.

14.3 *Year-End Forecast*

- 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/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 £2m lower than CFFR, and a balance of £883k in March 2023 calculated as 7 cash days. At this stage there was no information on the degree of repayment required by WMCA or the timescale of this. However, full repayment had been assumed as a prudent approach.

- The forecast operating position shown in the management accounts was before any release of provisions from the balance sheet which would have a positive impact on performance although no impact on cash.

14.4 The CFO answered questions from members and provided further clarification on points of detail including further explanation of EBITDA (earnings before interest, tax, depreciation and amortisation) movement of balance sheet provisions and cash days. She confirmed that she expected the position to remain within the bank covenants.

14.5 She confirmed that the interest saving on the rolling credit facility by repaying £500k as planned would be £12k per year. The agreement with Santander ran to 2026 and the aim was to pay this off in full prior to that date.

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

15 Learner Financial Support Policy

15.1 D Goode presented the Learner Financial Support Policy. She advised that the College received an allocation of funds from the Education & Skills Funding Agency (ESFA) and Student Finance England. This funding was to support eligible students studying further education courses funded by the ESFA and to help students meet the costs of participating in education and training post 16.

15.2 The proposal was to make an in-year change to the policy to increase the eligibility thresholds to qualify for discretionary learner support fund from a household income of £25k to £35k per annum. This would enable support to be provided to an additional 890 learners whilst remaining within the funding allocation.

15.3 D Goode advised that this would represent a change to the policy for the remainder of the financial year, following which the policy would be further reviewed for the new academic year. She confirmed that this change aligned to the threshold levels of other local providers.

15.4 Members were asked to consider the proposed changes in the document and recommend the policy to Corporation for approval.

15.5 **It was resolved** To recommend the Learner Financial Support Policy to Corporation for approval.

16 Financial regulations annual review

16.1 The CFO presented the annual review of the financial regulations. She advised that the existing regulations had been subject to a thorough review and compared to a number of best practice models from other FE colleges. The main changes were as follows:

- 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.

16.2 A table was included which detailed section by section, the comparisons between the existing and the revised regulations.

16.3 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 appeared 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.

16.4 Members considered the revised financial regulations and made some suggestions for areas which might be clarified, including arrangements for goods inwards deliveries and liability for damage. S Johnson advised that in most cases, items of high value were delivered directly to the recipient department rather than via goods inwards. The CFO advised that all department managers were required to have an inventory of capital items of equipment within their area, and to account for any losses.

16.5 **It was resolved** To recommend the financial regulations to the Corporation for approval.

17 **Any Other Business**

17.1 There were no items of any other business.

18 **Date of next meeting:**

18.1 As per the business plan, the next meeting was scheduled for 1st December 2022.

The meeting closed at 18.17.

Approved by the committee at the meeting held on 1st December 2022