

Part I Minutes of the Corporation Meeting held on Tuesday 20<sup>th</sup> June 2023 at 4.30pm in Conference room 1, Broadway

Members present: Liam Butler (Chair) Paul Noon (via Teams)  
Nirmal Gupta (item 12 onwards) Jason Parker  
Paul Hartridge Liz Sithole  
Mollie-Amelia Hehir Jack Stokes  
Alison Hodge Neil Thomas (Chief Executive & Principal)  
Nick Thompson (via Teams)

In Attendance: Gill Darwood (Director of Corporate Governance) (DCG)  
Steve Johnson (Executive Director Estates & Capital Projects)  
Louise Jones (Chief Finance Officer) (CFO)

### Board administrative matters

#### 1 Confirmation of quorum

1.1 The Director of Corporate Governance (DCG) confirmed that a quorum was present. It was agreed that Liam Butler (Vice Chair) would chair the meeting as the Chair, P Noon was attending via Teams.

#### 2 Apologies for absence

2.1 Apologies for absence had been received from Valerie Little, Tom Westley, Wendy Davies and Ian Austin. Apologies were also noted from Diana Martin, Vice Principal.

#### 3 Declarations of interest

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

#### 4 Approve minutes of previous meeting (21.03.2023 minutes and Development Event 05.05.2023 notes)

4.1 The minutes of the meeting held on 21<sup>st</sup> March 2023 and notes of the Development Event held on 5<sup>th</sup> May 2023 were confirmed as a true record for signature by the Vice Chair.

#### 5 Matters arising

5.1 There were no matters arising not covered on the agenda for this meeting or the July meeting.

### Matters for information

#### 6 Minutes of Finance & Estates Committee held on 22 May 2023

6.1 J Parker, as chair of the Finance & Estates Committee presented the draft minutes of the meeting held on 22<sup>nd</sup> May 2023 and highlighted a number of items covered at the meeting:

- The curriculum efficiency report and the review of the enrolment dashboard had shown a number of areas of positive performance.
- Students' Union annual report and financial statements.
- Risk register update.

- 6.2 Other matters from the meeting were recommended to the Corporation under subsequent agenda items.
- 6.3 **It was resolved** to note the minutes of the Finance & Estates Committee held on 22<sup>nd</sup> May 2023.
- 7 **ESFA financial statements review 2022**
- 7.1 The CFO presented the ESFA review of the College's financial position following submission of the audited financial statements for 2021/22. The key points were noted as:
- Although the College forecast its financial health for 2021/22 would be Requires Improvement, the actual results meant that the financial health was Good for the last financial year. The ESFA confirmed this conclusion.
  - No significant financial controls concerns had been identified by the ESFA, based on the auditor's management letter and audit committee's annual report.
  - The format of the statement of regularity, propriety and compliance was not in the required format, although no issues were identified as a result of this. The correct format would be used for 2022/23.
  - Governors were reminded that financial information could be viewed on the ESFA View Your Education Data (VYED). The attached Powerpoint showed the information currently available based on the 2021/22 audited accounts.
- 7.2 The CFO provided further clarification in relation to questions from members, advising that the change in financial health grade was due to the better than expected financial outturn with items released from the balance sheet having a positive financial impact.
- 7.3 **It was resolved** to note the ESFA financial statements review 2022.
- 8 **Estates and Capital Projects update**
- 8.1 S Johnson presented the Estates and Capital Projects update, noting the key points from the report, which had been considered in detail at the Finance and Estates Committee:
- The Towns fund project was progressing, with a revised proposal to meet the budget limit being developed. Discussions were held with the planning officers to clarify planning requirements for the revised proposals and agree if a Section 73 process was required. This had programme implications. The CPO process was moving slowly but had now been issued with a proposed December 2023 hearing planned. Some further delays had occurred due to sub-letting arrangements on buildings under CPO.
  - Heads of terms for the lease had not progressed since the last report.
  - The NHS were currently reviewing the possibility of submitting a capital bid I during the 2023/24 financial year.
  - Capital Transformation fund works were progressing. The roofing works were nearing completion within budget.
  - Animal science was finding costs had increased substantially over the last 20 months and the College was in discussions with the DfE regarding profiling of the grant spend to match project needs.

- 12 The Broadway now had an agreed brief, and development of the proposal and plans based on a retail readiness for work facility was being developed. Plans were to open this following October half term.
- The windows element of the grant was proposed to be added to the works contracted to Animal Science, as it was better to have one contractor in control of the site at one time for Health and Safety reasons and there should be some efficiencies.
- Work supported by the PSDS Salix grant to provide new heating to the Broadway buildings was being progressed. This was planned to be awarded to Speller Metcalfe for safety and efficiency reasons, using the Pagabo framework.
- The College had applied for an additional LCSF Salix grant for £327k of fees to develop a decarbonisation plan for qualifying parts of the College estate. Further questions had been received which was a positive indication that this bid would be progressed to the next stage.
- The College capital programme for 2023/24 had been reviewed and an agreed plan of works was provided for approval within the proposed budget to be considered at item 14. The majority of the works were to be funded by the FE Condition allocation grant.

8.2 S Johnson provided further clarification in response to questions from members, advising that the feasibility of introducing solar panels to buildings would be progressed over the next couple of years.

8.3 **It was resolved** to note the estates and capital projects update.

### Matters for approval

#### 9 **F&E Committee Business Plan for 2023/24**

9.1 The DCG presented the business plan for the Committee which provided an indication of business and reports which would be submitted to the meetings of the Committee scheduled for 2023/24.

9.2 The business plan had been considered by the Finance and Estates Committee and was recommended for approval.

9.3 **It was resolved** to approve the Finance & Estates committee's business plan for 2023/24.

#### 10 **Management Accounts to April 2023**

10.1 The CFO presented the management accounts for April 2023 which showed the position nine months into the financial year. The accounts and commentary took account of the revised budget at quarter two. The key points to note from the third operating quarter were noted as:

- The operating position and EBITDA were favourable to budget, £8k and £242k respectively.
- The adverse variance in income had increased by £211k to £2.2m since March, and this was being driven by a worsening of apprenticeship income of £223k. Full Cost Fees had reduced from March due to a provision included for expected refund to Tesco of £50k.

- There were positive variances in pay (£399k) and non-pay (£1.8m) expenditure which were offsetting the adverse variance in income. The favourable variance against operational and maintenance costs was due to rates invoices received in month dating to August 2022, improving the expected position to actual.
- The rolling credit facility of £1.25m remained drawn down until 31st July as planned. The College was currently applying through the DfE for funding to replace this from 1st August, which had now been approved by HMT.
- The impact of this was that, in the absence of DfE approval for HMT funded RCF, the College would have expected to have average cash days of 21 against a FEC target of 25. This would affect two of three of the financial health measures.
- The sensitivity analysis tested a variety of scenarios (positive and negative), against a base case which was the revised budget. In the worst case scenario, the College would return an operating deficit and two of the three loan covenants would not be met. This scenario was highly unlikely.
- The Discretionary Learner Support Fund (DLSF) analysis showed an underspend in year of £379k. This was due to additional free meals monies being received from the ESFA for this provision, any underspend from the 2022/23 allocation was able to be carried forward to the 2023/24 financial year for the benefit of learners.

10.2 **It was resolved** to approve the management accounts to April 2023.

## 11 **Learner Financial Support Policy**

11.1 The CEP presented the Learner Financial Support Policy which had been considered and recommended by the Finance and Estates Committee. Any changes to the policy were highlighted in red through tracked changes.

11.2 **It was resolved** to approve the Learner Financial Support Policy.

## 12 **Financial regulations annual review**

12.1 The CFO presented the updated Financial Regulations which had been reviewed by the Finance and Estates Committee and recommended for approval. The key changes incorporated the framework for financial management set out in the Managing Public Money requirements.

12.2 The CEP advised members that the Corporation report cover sheet had been updated to ensure that any requirements under MPM were highlighted. The DCG advised that the Corporation's Scheme of Delegation would be reviewed for approval in the Autumn term, to ensure that all delegations were in line with MPM requirements.

12.3 The CFO provided further clarification in response to questions from members, advising that she did not consider that to date there had been any detrimental impact on the College as a result of ONS reclassification, other than the need to replace the rolling credit facility. In the longer term there would be a requirement for refinancing of fixed term loans which would require transfer to Treasury in the future.

12.4 **It was resolved** to approve the financial regulations.

*N Gupta joined the meeting.*

### 13 **Partnerships and Subcontracting Plan for 2023/24**

13.1 The CEP presented the Partnerships and Subcontracting Plan for 2023/24. The paper provided an overview of the College's planned subcontracting provision and the monitoring arrangements in place, as well as 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 2023/24 was planned to be £0.27m. The College planned to make payments in the region of £0.22m.
- 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 2023/24.
- 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 2023 onwards. These would come back to Corporation for additional approval.

13.3 The plan had been considered by the Finance and Estates Committee and recommended for approval.

13.4 **It was resolved** to approve the partnerships and subcontracting plan for 2023/24.

### 14 **College Financial Forecasting Return (CFFR) and 2023/24 budget**

14.1 The CFO presented the College Financial Forecasting Return and budget for 2023/24 which included a comparison to the updated forecast for 2022/23. She noted that there were some risks associated with this budget, which were dealt with further in the sensitivity section within the attached commentary, where more detailed actions to address adverse variances were listed.

14.2 The financial return demonstrated that the College continued to achieve the indicators set out in the financial strategy. Based on the year-end forecast financial health of the College was Good in 2022/23 and Good in subsequent years.

14.3 The CFO provided a detailed explanation of the approach and assumptions involved in the budget process, reminding members of the robust curriculum planning process which had been completed to establish the curriculum offer and staffing requirements. The pay budget included target savings of £750k reflecting the fact that there were vacancies throughout the year which were not filled. The non-pay budget was based on a zero-based budget approach which had provided detailed scrutiny involving all budget holders.

14.4 The CFO provided further clarification in response to questions and comments from members, explaining the approach to calculation of funding income based on a prudent estimate of learner numbers.

- 14.5 The budget took account of inflationary pressures such as energy cost increases but did not include any contingency on the basis that it was felt to be prudent and achievable. Any savings occurring in year would build a contingency throughout the year. Expenditure would continue to be closely managed.
- 14.6 The CFO advised that despite the reclassification of colleges to the public sector, colleges would still be liable for VAT, unlike the school sector.
- 14.7 In relation to the staff annual pay award, members were asked to consider the award of a 3% increase for all staff from 1<sup>st</sup> August 2023. J Stokes noted that the pay award for staff was below the current inflation level and any pay award to staff would ultimately benefit learners. The CEP explained that this was based on affordability and would represent the largest award the College had been able to make for ten years, and College rates of pay were generally above the sector norm. He advised that the financial position was shared with union representatives who were well sighted on this. The AoC had not made a recommendation this year as pay increases would be unaffordable for many colleges. Activities to lobby government for support to fund pay increases for colleges in the way they were for the school sector would continue. The Vice Chair noted that the recruitment challenges were highlighted within the strategic risk register.
- 14.8 In response to a question from M Hehir, the CEP advised that the College had removed the lower pay bands so that all staff were paid above the national living wage. Incremental progression was available to staff up to the top point of their pay band and would be awarded in January 2024 to eligible staff.
- 14.9 The CFO provided further explanation of the detail of the proposed budget, advising that the “financial strategy on a page” showed that all measures were being met comfortably.
- 14.10 The key performance indicators showed an improving picture over the three year period.
- 14.11 The cash position would be comfortable with the support of the rolling credit facility and replacement treasury funding from 1<sup>st</sup> August.
- 14.12 Loan covenants were impacted by the removal of the Santander rolling credit facility, as the calculation of debt service costs excluded the previous loan agreement with Santander within the calculation but would include any financing through Treasury. A request had been made to Santander to consider amending this calculation which was currently being considered.
- 14.13 Financial health was calculated as Good in 2023/24 and 2024/25, with all three years scoring 180 points which was the threshold for Good. The College would endeavour to improve the score throughout this period.
- 14.14 Sensitivity testing included risks of variables around achievement of adult and apprenticeship funding as well as inflationary pressures.

- 14.15 The proposal for capital expenditure represented a College expenditure of £784k, £607 leasing and £9.483m grant funding, totalling a capital expenditure budget of £10.874m.
- 14.16 The key financial risks were noted, which continued to be the achievement of income for 16-18, apprenticeship and adult provision, the pressure on pay costs and the rate of inflation.
- 14.17 The CFO drew members' attention to the bank reconciliations which were included in line with the requirements of the financial handbook, which confirmed that the cash balance output on this return, as at 30 April 2023 matched the College's reconciled actual cash position on that date.
- 14.18 The report also included the proposed budget for TTPL, the College's subsidiary, which would also be circulated to TTPL board members for their approval. The CFO noted that the TTPL float planned to reach £600k, at which point income would go directly into the TTPL bank account once established and the float would reduce to below £500k with gradual repayment over the next four years.
- 14.19 Members discussed the strategy of rebasing income levels post-pandemic to ensure that the College had a prudent budget to ensure that it could manage expenditure against a realistic measure of income, whilst continuing to explore new opportunities for future growth. The Chair noted that it would be important to proactively seek out new opportunities and to retain agility to respond to any opportunities which arose.
- 14.20 **It was resolved**
- to approve the budget for 2023/24, including the capital expenditure proposal as detailed within the report, and an annual pay award of 3% for all staff from 1<sup>st</sup> August 2023.
  - to approve the College Financial Forecasting Return (CFFR) for submission to the ESFA, confirming that:
    - the most appropriate financial health grade for each of the three years was:
      - 2022/23 Good
      - 2023/24 Good
      - 2024/25 Good
    - the return was consistent with the College's budget for the year ending 31 July 2024 and that this budget had been approved by the governing body.
    - this return was consistent with the College's strategic plan and that the plan and accompanying commentary had been reviewed in accordance with the method agreed by the governing body.
    - the supporting commentary has been prepared with due regard to the financial planning checklist in the College Financial Planning Handbook.
    - the cash balance output in this return, as at 30 April 2023 matched the College's reconciled actual cash position on that date. Furthermore, that a bank reconciliation had been carried out on the indicated date and that there were no concerns or unresolved issues arising from the reconciliation itself.
- 15 **Any other business**
- 15.1 There were no items of any other part I business.

16 **Date of next meeting**

- 16.1 The next meeting would be held on 4 July 2023 at the Black Country and Marches Institute of Technology.

*Senior staff, staff and student governors left the meeting. The part 2 meeting is the subject of a separate confidential minute.*

*Approved by the Corporation at the meeting held 4<sup>th</sup> July 2023*