Minutes of the Finance & Estates Committee held on Monday 22nd May 2023 at 4.30pm in Conference Room 2, Broadway

Members Present:	Alison Hodge Valerie Little Paul Noon Jason Parker (Chair) Liz Sithole (via Teams) Jack Stokes Neil Thomas
In attendance:	Gill Darwood (Director of Corporate Governance) Steve Johnson (Executive Director Estates & Capital Projects) Louise Jones (Chief Finance Officer) Diana Martin (Vice Principal) Sandra Prail (AoC) (via Teams)

Committee administrative matters

1 Confirmation of quorum

1.1 The Director of Corporate Governance (DCG) confirmed that the meeting was quorate. The Chair welcomed those joining virtually, including Sandra Prail, a reviewer working on behalf of AoC on the College's external review of governance.

2 Apologies for absence

2.1 Apologies for absence were received from Nick Thompson.

3 Declarations of interest

3.1 There were no declarations of interest.

4 Minutes of previous meeting held 23rd March 2023

4.1 The minutes of the meeting held on 23rd March 2023 were agreed as an accurate record for signature by the Chair.

5 Matters arising

5.1 There were no matters arising.

6 Election of Chair and Vice Chair for 2023/24

6.1 Jason Parker was appointed as Chair and Liz Sithole as Vice Chair for 2023/24.

7 Committee business plan for 2023/24

7.1 The DCG presented the draft 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.

7.2 It was noted that this was not a rigid document but was intended as a guide and needed to remain flexible to accommodate emerging priorities.

7.3 **It was resolved** to recommend the committee business plan for 2023/24 to Corporation.

Finance matters

8 Curriculum efficiency – commercially sensitive

8.1 Curriculum contribution analysis

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

8.2 Curriculum efficiency data report from ESFA

8.2.1 The CFO advised that the Department for Education had prepared a new tool available to all colleges called 'compare your curriculum efficiency'. The tool used the information supplied to the DfE in the finance record, based on the audited accounts. The current information was based on the 2021/22 data. The tool allowed selection of the most relevant colleges to benchmark against; general further education colleges with a turnover of £25m and above were the relevant comparator. This had provided a benchmark population of 76 colleges.

8.2.2 The presentation showed the benchmarking information in respect of learners, pay costs, non-pay costs, curriculum efficiency and financial ratios.

8.2.3 The key points noted were:

- Dudley College learners generally generated higher levels of income with the exception of apprenticeships and students with EHCP.
- The College employed fewer teaching and non-teaching staff, but paid more per FTE for both categories of staff (9% and 17% respectively).
- The College employed slightly more senior managers but average salary was lower.
- Non-pay spend in teaching and other departments was lower than the benchmark and spend on staff training costs was much lower. Further exploration would be undertaken to determine what other colleges were recording as costs of training (such as staff CPD hours) to ensure consistency.
- The College had less premises space than benchmark by 15%, although it cost more to run, with electricity costs being 25% higher.
- Curriculum efficiency measures were mixed. The College performed less well in terms of staff utilisation and remitted hours, although this could be due to the recording methodology. Average class sizes were also smaller, however students had more time in the classroom, and the attrition rate was lower. Contribution by curriculum teams was higher and spend on overheads was lower.
- Financial ratios showed that the College performed reasonably well. Whilst it had lower cash and cash days, current ratio and higher borrowing, cash generation from operating activities was higher than benchmark. EBITDA was better than benchmark, and staff costs as a percentage of income were slightly lower.

8.2.4 The Chair asked if the information could provide any insights in terms of areas which could be improved or explored further. The VP noted that it had provided some areas for further exploration such as the methodology used for calculating staff training costs. The CEP noted that the report provided external assurance of the KPIs presented by the executive team.

8.2.5 In response to a question from V Little, the CFO advised that it was not possible to drill down to individual providers with this tool, for example, to identify top performers in a particular category, although the ESFA financial record spreadsheet was publicly available and could provide very detailed information for each individual provider.

8.2.6 It was agreed that the report represented useful information to give some direction for further investigation but there was a need to be mindful of the degree of consistency in the way the data was calculated.

8.2.7 **It was resolved** to note the curriculum contribution analysis.

9 Management accounts to March 2023

9.1 The CFO presented the management accounts for March 2023 showing the position eight months into the new financial year. The accounts and commentary took account of the revised budget at quarter two. The key points to note were:

- The operating position and EBITDA were both adverse to budget, £57k and £233k respectively.
- The adverse variance in income was £1.9m, the variance on AEB & Apprenticeships had continued to worsen by a total of £520k since February. The variance on Local Authority high needs element 3 income was favourable by £179k. A review on charges for element 3 had been completed in year, increasing the income we were able to charge to offset costs in supporting high needs learners.
- There were positive variances in pay and non-pay expenditure which were offsetting the adverse variance in income.
- The RCF of £1.25m was drawn down on the 31st March. KPIs for cash and current ratio had improved as a result, debt service cover had reduced. The loan balance had increased, repayment of the RCF was due by the 31st July 2023.

9.2 It was noted that the biggest area of risk was related to adult and apprenticeship income. Members noted that the mix and balance of provision had changed since the pandemic, resulting in a sustained trend away from apprenticeship provision towards other routes for upskilling employed adults. The CEP noted that the plan for next year and beyond assumed that this provision would not return to pre-pandemic levels.

9.3 Members also noted the challenges nationally in the use of the employer levy being limited to apprenticeships, and that it would be helpful to secure unspent funding in the region to support employers with the wider costs of apprenticeships, or enable access to more appropriate training.

9.4 The CFO advised that the budget for 2023/24 would be presented for approval at the Corporation meeting in June.

9.5 **It was resolved** to approve the management accounts.

10 Enrolment dashboard review

10.1 The CEP presented an update on the enrolment dashboard by key client group, noting that:

- 16-18 - enrolments were slightly lower than the previous year but with good retention.
- A level - enrolments were higher than the previous year by 60 learners. There was some future risk to A level provision with other providers entering this market, although T Level reforms may drive more students towards A levels. The College was looking at rebranding marketing materials and a review of schools liaison to maximise opportunities. A Hodge noted that students in their earlier engagement meeting had indicated that they had not received sufficient careers guidance at school to fully understand their post-16 options. It was noted that this represented an opportunity for the College to take a heightened role in delivery of independent advice and guidance in schools.
- Adult enrolments – 5% above the same point in the previous year although income was lower due to the mix and balance of provision.
- Apprentices – some recovery compared to last year in College-based apprentices.
- Higher skills – enrolments had increased by 13% compared to the previous year, partly due to IoT enrolments but also other college areas.
- Subcontracted apprenticeships – decreased down as planned.

10.2 In response to a question from A Hodge, the CEP advised that there were no areas of provision which would be withdrawn leading to an inability to respond to future demand. P Noon highlighted the need to be agile in order to respond to changing policy, which the CEP advised would be addressed in the new Strategic Plan.

10.3 **It was resolved** to note the enrolment dashboard update.

11 ESFA Financial Statements Review – Financial health letter

11.1 The CFO advised that the ESFA had reviewed the College's financial position following submission of the audited financial statements for 2021/22. The key points were noted as:

- Although the College had forecast its financial health for 2021/22 as Requires Improvement, the actual results meant that its financial health was Good for the last financial year. The ESFA had 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 CFO noted that the information contained within this snapshot was based on the 2021/22 audited accounts.

11.2 The CFO noted that the report evidenced the accuracy of the College's forecasting against actual performance.

11.3 **It was resolved** to note the ESFA financial statements review.

12 **Students Union Annual Report and Accounts**

12.1 The CFO presented the student union accounts for the financial year 2022 which had been reviewed by the auditors Lewis Smith & Co. The key points to note were:

- Income had dropped by £2.5k to £58,816.
- Staff costs total £43,977 compared to £45,230. The variance was due to changes in national insurance and pension costs.
- The cost of social activities had increased from £3,553 to £11,329.
- The overall deficit for the year was £4,668.
- On the balance sheet cash was still healthy at £16,092, comparable to the previous year.
- Reserves had dropped to £14,431.

12.2 During the 21-22 financial year, the Students' Union received other payments into their bank account from a number of external funding bids and from the AoC's Colleges Youth Social Action Apprentice programme.

12.3 The related transactions had been included on the report under 'Social activities' and 'Other creditors' to reflect the ringfenced balances carried forward so this was clear to see by Corporation and it should be noted that it was not extra income the Students' Union received to allocate against their usual yearly activities.

12.4 J Stokes advised members that the Students' Union had submitted a further bid for funding to the HAF (Holiday Activity Funding) programme.

12.5 Members noted that the activity of the Students' Union represented excellent value for money and brought incredible benefit to the students, also supporting a wide range of College activities. J Stokes noted that the Students' Union had been recognised nationally as one of the strongest college unions.

12.6 **It was resolved** to note the Students Union Annual Report and Accounts for 2022.

Estates and Capital Projects matters

13 **Estates and capital projects update – commercially sensitive**

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

Risk and compliance matters

14 **Partnerships (sub-contracting)**

14.1 **Partnerships plan 2022/23 termly monitoring report**

14.1.1 The VP presented the overview of performance against the planned subcontracting provision for 2022/23 and the monitoring arrangements in place. The report also provided an update on the employer partnership and other managing agent (OMA) activity:

- The total activity relating to subcontracting for 2022/23 was planned to be £1.18m. The College planned to make payments in the region of £0.91m.
- Adult Education courses delivered through Worcester University were originally profiled to commence in January 2023, and then again in March 2023, however due to NHS pressures, these courses had to be pushed back further and the first cohort would now commence in May 2023.

- Since the previous report in March 2023, the forecast for Apprenticeship income had been increased by £0.09m and associated spend had been reforecast and increased by £0.05m due to some additional achievements.
- Adult Education income had reduced by £0.20m and associated spend had been reforecast and reduced by £0.16m.
- This revised forecast still fell within the total planned subcontracting activity of circa £1.18m

14.1.2 Monitoring arrangements for sub-contracted provision were detailed in section 2 of the report.

14.1.3 In response to a question from V Little, the VP advised that any safeguarding concerns raised by partners were referred to the College's safeguarding team. Safeguarding matters were a standing agenda item on all monthly meetings with partners. She further explained that all staff had safeguarding training and it was part of the College's due diligence checks to look at the partner's self-assessment, and most recent Ofsted report where applicable. The College's Outstanding Practitioners also met with learners and asked them about safeguarding and their own safety.

14.1.4 In response to a question from A Hodge in relation to quality assurance of teaching, the VP advised that learner progress was reviewed at every contract management meeting and in addition the College's Outstanding Practitioner team carried out quality checks in the same way as within College. Any staff seconded to the College were subject to the same performance management processes as College staff.

14.1.5 **It was resolved** to note the update on sub-contracted provision in 2022/23.

14.2 Partnerships (sub-contracting) Plan for 2023/24

14.2.1 The VP presented the paper which provided the committee with an overview of the College's planned subcontracting provision for 2023/24.

- 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.
- Appendices included a summary of all sub-contractor providers and the value of expected income in 2023/24, a summary of all employer partners and a summary of all other managing agents.
- It was expected 'niche' high-value partnerships would 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.

14.2.2 The CEP advised that the contract management team would become more involved in other areas of compliance in the future, such as OfS and TEF requirements.

14.2.3 **It was resolved** to recommend the sub-contracting and partnerships plan for 2023/24 to the Corporation for approval.

15 **Risk register review**

15.1 The CFO presented the report which provided committee members with an update on risks relating to finance and estates. There were four risks relevant to this committee, and the impact, probability and risk scores remained unchanged since previous reporting. All actions to mitigate these risks were on track or complete.

15.2 In relation to the risk related to income targets, P Noon noted that the gross and net risk score remained the same. The CFO advised that this was because the management accounts continued to report an adverse variance.

15.3 **It was resolved** to note the risk register.

16 **Learner Financial Support Policy Review**

16.1 The CEP presented the revised Learner Financial Support Policy which governed how ESFA funding was used to support eligible students studying further education courses and to help students meet the costs of participating in education and training post 16. Any changes made to the policy were highlighted through tracked changes.

16.2 **It was resolved** to recommend the learner financial support policy to the Corporation.

17 **Financial regulations annual review**

17.1 The CFO presented the annual review of the financial regulations, the proposed changes had been highlighted through tracked changes. The key changes incorporated the framework for financial management set out in the managing public money guidance.

17.2 Members discussed the implications of the new guidance as a result of the ONS reclassification of colleges, and the need for members to be kept informed of changing requirements.

17.3 The DCG advised that the DfE was currently developing a College Financial Handbook which would set out the new requirements on Colleges as a result of the ONS reclassification, and that the Corporation report cover sheets had been modified to ensure that any implications of the new requirements were highlighted to members.

17.4 **It was resolved** to recommend the updated financial regulations to Corporation.

18 **Any Other Business**

18.1 No matters of any other business were raised.

19 **Date of next meeting**

19.1 The date of the next meeting was noted as 30th November 2023 at 4.30pm.

The meeting closed at 18.15 hours.

Approved by committee members at the meeting held 30th November 2023