Minutes of the Finance & Estates Committee held on Thursday 30th November 2023 at 4.30pm in Conference Room 2, Broadway

Members Present:	Jason Parker (Chair) Jack Stokes Neil Thomas Sarah Wood
In attendance:	Gill Darwood (Director of Corporate Governance) 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 Director of Corporate Governance (DCG) confirmed that the meeting was quorate.

2 **Welcome new members and apologies for absence**

2.1 Apologies for absence were received from Paul Noon and Anumit Kaur.

3 **Declarations of interest**

3.1 There were no declarations of interest.

4 **Approve minutes of previous meeting held 22nd May 2023**

4.1 The minutes of the meeting held on 22nd May 2023 were agreed as an accurate record for signature by the Chair.

5 **Matters arising**

5.1 There were no matters arising.

6 **Committee's Terms of Reference 2023/24**

6.1 The DCG advised that the terms of reference for the Finance and Estates Committee had been reviewed as highlighted in the track changes.

6.2 One addition was proposed to the responsibilities of the committee which related to the Corporation's need to comply with the HM Treasury guidance on Managing Public Money, following the ONS reclassification of colleges in November 2022.

6.3 **It was resolved** to recommend the committee's terms of reference for 2023/24 to the Corporation.

7 **Committee's Annual Report 2022/23**

7.1 The DCG presented the report which summarised the work undertaken by the Finance & Estates Committee in 2022/23. Once approved by members the report would be placed in the document library of Convene for access by all Corporation members.

7.2 **It was resolved** to approve the committee's annual report 2022/23.

Finance Matters (for information)

8 **Curriculum contribution analysis 2022/23**

8.1 The CFO presented the curriculum contribution analysis which showed that the curriculum areas made a contribution of 49% to College overheads in 2022/23 (2022: 46%). This was an improvement on the prior year and compared to a budget for the year of 53%. The biggest contributing factor was a shortfall in income generation, which had been reported throughout the year. The budget for 2023/24 showed a contribution of 55% and early indicators were that curriculum teams would show improved performance this year.

8.2 In respect of each senior leaders' area she noted that:

- The high needs support for the whole college fell within L Glazzard's area which impacted contribution.
- R Corn's area was impacted by a shortfall in apprenticeship income.
- S Jocelyn-Spears had inherited her area which had an ambitious growth target but nevertheless had managed a good contribution.
- C Millard's area held cross-college English and maths costs.
- D Martin's area of partnerships had performed better than budgeted.
- The IoT was in the second year of operation and had improved contribution, with a more moderate growth target in 2023/24.

8.3 **It was resolved** to note the curriculum contribution analysis 2022/23.

9 **Enrolment dashboard update**

9.1 The CEP advised that year to date enrolment figures were updated for each key client group and were available on the live dashboard:

- 16-18 learner enrolments were up 7% on the previous year which equated to approximately 300 learners. Whilst there had been a modest increase in the birth rate, this did not account for the full level of the growth.
- A level learners had the biggest intake since the opening of Dudley Sixth with enrolments up to 584, with high numbers seen in STEM subjects.
- Adult learners were increased on previous year.
- Apprenticeships was behind the same point in the previous year. An increasing amount of provision previously undertaken through apprenticeships was now funded through adult education budget by WMCA. This area had monthly roll on/roll off enrolment so would continue to increase through the year.
- Higher skills learner numbers had increased on the same point last year and the January intake would further increase this number.
- Subcontracted provision was reducing as part of the planned strategy and was down by 63% on last year.

9.2 From the new year, the subcontracted provision section of the Dudley Dashboard would be replaced with High Needs learners, which was a key area of performance for the Corporation to monitor both in terms of student as well as financial performance.

9.3 **It was resolved** to note the enrolments update.

10 **Financial health assessment letter**

10.1 The CFO presented the letter from the ESFA which confirmed that based on their review of the College Financial Forecasting Return (CFFR) their assessment of the College's financial health was Good for 2022/23 and Good for 2023/24, in line with its own assessment.

10.2 The letter also reminded members of the availability of financial information on the DfE dashboard 'View Your Education Data'. A copy of the data available for governors on the dashboard was attached for ease of use. The presentation showed actual data for 2021/22 (FR = Finance Record) and forecast data for 2022/23 and 2023/24. The College would return the finance record for 2022/23 in December and the dashboard should then be updated in the new year.

10.3 In response to a question from the Chair, the CFO advised that the banding for financial health assessment as 'good' ranged from 180 to 230 points and that the College was at 230 points for 2022/23.

10.4 **It was resolved** to note the ESFA financial health assessment letter.

Finance Matters (for recommendation)

11 **Year end position incorporating Annual Report and Financial Statements 2022/23, reconciliation of July 2023 management accounts and year-end accounts 2022/23**

11.1 The CFO advised that Bishop Fleming were concluding their audit work and had confirmed in doing so, that they had not identified any significant risks requiring further audit work. There were two unadjusted errors in relation to the categorisation of trade creditors and accruals and a credit note received after the year end, that was not adjusted for. Two of the prior year audit recommendations had been implemented with one continuing in respect of descriptions on manual journals. The report had been considered in detail at the audit committee meeting on 27th November and would be recommended by that committee to the Corporation.

11.2 The year-end position showed a positive outturn compared to forecast. While income was lower than target as had been reported throughout the year, both pay and non-pay costs returned positive variances as a result of effective management action in year. The financial outturn also benefited from the release of £764k provisions from the balance sheet, accrued in prior years. At £5.6m EBITDA was £1.2m better than forecast, as was EBITDA as a percentage of income at 11.7%. Most KPIs had been met with the exception of debt service cover, due to repayment of RCF in year, borrowing as a percentage of income due to loan from DfE coming in before year end and debtor days. Cash and cash days were better than expected (£6.9m and 59 days respectively). Loan covenants had been met with substantial headroom. The college's financial health, including and excluding FRS102 calculated as Good.

11.3 A summary of the year-end position in management account format was provided.

11.4 The CFO responded to questions on points of detail from members and provided further clarification in relation to pension adjustments, accrual release and asset write off.

11.5 She advised that the process of conducting the audit with Bishop Fleming had been very smooth and straightforward. The CEP expressed thanks to the finance team as external auditors had commented on their exceptional management of the audit process as well as the robustness of their working practices.

11.6 **It was resolved** to recommend to the Corporation.

12 **Management accounts to October 2023**

12.1 The CFO presented the management accounts to October 2023, noting that:

- The I&E year to date budget was based on the original budget which did not include the additional funding for 16-18 ESFA or the additional pay increase of 3%. A revised budget would be presented to Corporation for approval in December.
- The operating surplus of £0.81m was £0.28m higher than the budget surplus for 2023/24.
- Income would be the biggest risk as the budget for apprenticeships was expected to track to no more than 2022/23 levels based on current recruitment activity.
- The cash position continued to remain very positive. The cash position of £7.1m at the end of October compared very favourably to the target of £4.9m. The spend profile, and therefore income receipts, for capital had changed to match planned works in year. The cashflow included the additional 16-18 funding of £1.9m and the associated pay costs. The increase in 16-19 funding was being paid every quarter from October 2023.
- KPIs showed a positive position with most having a green indicator. The KPI currently flagged red was debtor days due to year end accruals.
- Cash position was strong, due to receipt of capital grants which were due to be spent in December.
- Loan covenants were expected to be met in line with budget at the year end.
- Financial health continued to be Good.
- The sensitivity analysis showed a best case and worst case scenario against the original budget. There were no concerns that the worst case scenario would be realised.

12.2 **It was resolved** to recommend the accounts to the Corporation.

13 **Revised budget 2023/24**

13.1 The CFO advised that the opportunity had been taken to present an updated budget for approval, incorporating the financial changes since the budget was originally approved by Corporation in June. Of particular note were:

- Increase in 16-19 funding of £1.9m from the DfE for addressing key priorities around recruitment and retention of staff.
- Increase in cost of living award of 3.5% funded by the above. Although not all of the £1.9m had been committed, the full cost was shown in pay and provided in year responsiveness to changes in enrolment and staff recruitment challenges.
- Reduction in apprenticeship income to reflect forecast recruitment.
- Increase in interest payable on the College's variable rate loans.
- Increase in capital grants.

13.2 These significant changes had resulted in lower EBITDA but the operating position had remained the same at a deficit of £249k. The targets in the financial strategy were largely unaffected when compared to the original budget, however the impact on KPIs was more complex. Cash and cash days were slightly lower and debt service cover was lower due to the increase in interest payable. There was no material impact on the loan covenants or financial health measures with the latter remaining at Good. The revised budget presented a cautious position at this early point in the year; there was headroom particularly in the pay budget which afforded the College opportunity to generate higher income, in which case this additional income would be reflected in the next budget review. Otherwise, this headroom would be released resulting in a higher EBITDA and strong performance against KPIs, loan covenants and financial health.

13.3 **It was resolved** to recommend the revised budget for 2023/24 to the Corporation.

14 **Fees policy 2024/25**

14.1 The CFO advised that the fees policy was revised annually to reflect changes in funding agency rules and fees. The purpose of the policy was to set out the framework for fees and charges for 2024/25, the process for payment of fees, the options that were available for payment of fees and the sanctions that would be applied in the event of a default.

14.2 The key changes to the 2024/25 policy were highlighted as:

- HE fees to meet funding cap of £6,000 for full time (increase of £5) and increase by 10% to £3,845 for part time (cap £4,500).
- Removal of £10 admin fee for resits/retakes. This was challenging to administer, labour intensive and the College was not benefiting from the additional charge.
- Update invoicing timescale for a sponsor from 14 to 30 days.
- One re-sit included in the initial exams fee; further attempts charged at cost (with the exception of EPA where any resit was charged to the employer).
- Maximum number of instalments change from four to nine and were collected at least one month prior to end of programme.
- Alignment to funding rules.
- Clarification of terminology.

14.3 The CFO provided further clarification in response to questions from members related to the calculation of HE fees and the level of unpaid debts which was low.

14.4 **It was resolved** to recommend the Fee Policy to the Corporation.

Estates and Capital Projects Matters

15 **Commercially sensitive - Estates and capital projects update**
This matter is the subject of a separate and confidential minute.

16 **Commercially sensitive - Draft Estates Strategy 2024-27**
This matter is the subject of a separate and confidential minute.

17 **Environmental and sustainability report**

17.1 The Director of Estates and Capital Projects presented the environmental and sustainability report, noting that:

- The College continued to measure its carbon footprint, which showed good improvements in reducing emissions.
- The College had successfully had its ISO14001 accreditation renewed for another 3 years with positive feedback received from assessors.
- The College had progressed the sustainability agenda with the formation of the Seven Pillars based around the key areas for improvement. Each pillar had a lead manager and clear objective.
- Net Zero developments had continued during the year with thermal improvements through roof insulation, new windows, refitting the old E block building and the proposed new Broadway heating system.
- The College was rolling out staff training to improve understanding of sustainability issues initially with senior managers.
- Policies had been reviewed and the College had signed a Net Zero Commitment statement outlining targets for improvements.
- Working groups had been developed for each of the seven pillars and each had an action plan to monitor tasks and improvements.

17.2 In response to a question from S Wood, S Johnson advised that the report covered scope 1 and 2 with limited scope 3 reporting at present and this would be expanded going forward.

17.3 **It was resolved** to note the environmental and sustainability report.

Partnerships and sub-contracting

18 **Partnerships (sub-contracting) review 2022/23**

18.1 The VP presented the report which provided the Committee with an overview of the College's sub-contracting provision for 2022/23 and the monitoring arrangements that were place:

- The total activity relating to sub-contracting for 2022/23 was £0.81m. The College made payments to partners totalling £0.61m.
- 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 income in 2022/23.
- Appendix 2 provided a summary of all achievement rates for partners.
- Although there had been a further reduction in the overall value of sub-contracted provision, it was expected that 'niche' high-value partnerships would continue to be required in 2023-24 as more technical curricula were introduced (including within the Black Country & Marches Institute of Technology) and new partnerships with HEI's were planned to come on-board.

18.2 **It was resolved** to note the partnerships review of 2022/23.

19 **Partnerships (sub-contracting) plan for 2023/24**

19.1 The VP presented the report which provided the Committee with an overview of the College's planned subcontracted provision for 2023/24 and the monitoring arrangements in place. It also provided an update on the employer partnership and other managing agent (OMA) activity.

19.2 In summary:

- The total activity relating to subcontracting for 2023/24 was planned to be £0.25m. The College planned to make payments in the region of £0.19m.
- 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 still planned to come on-board from 2023 onwards.
- Business Partnerships Team continued to provide cross college support with respect to writing and managing contracts.
- Ofsted's opinion was that 'the college monitors sub-contracting provision effectively' and that the quality of sub contracted provision was strong.

19.3 **It was resolved** to recommend the partnership plan to the Corporation for approval.

20 **Risk register review**

20.1 The CFO advised that the full risk register for 2023/24 was reviewed by the Audit Committee in October. There were five risks relating to the work of Finance and Estates Committee; four were the same risks as in 2022/23 and a further risk in relation to the sustainability strategy had been added. Risk ratings had been reviewed and updated where necessary. The five risks were as follows:

Risk Description	Net Risk Score
The college was unable to deliver the IoT year 3 business plan, either through lack of demand for college programmes, the IoT partners don't deliver their agreed programmes or other DfE KPIs were not achieved	9
The college was unable to attract and retain staff with the right skills, particularly in highly technical areas, impacting on the student experience	8
Unforeseen circumstances result in potential financial instability, including lower levels of income, increasing costs that could result in the need for staff restructuring	6
Lower than expected demand and student recruitment results in income targets not being achieved	9
By not developing or implementing our sustainability strategy we miss opportunities for funding, estate improvement and promotion of the college	9

20.2 The net risk score for two risks had been reduced. The risk regarding recruitment and retention of staff had reduced from 9 to 8 as the likelihood of the risk remained high, the impact was lower as vacancies were in a small number of areas rather than being across the entire College. The risk regarding financial instability had reduced to 6 as the College continued to demonstrate strong financial health in 2022/23 accounts and 16-18 recruitment had been positive, with consideration being given to an in-year growth funding application.

20.3 Most actions were on track with three subject to delay including:

- The new management team were focused on the delivery of the IoT business plan year 3. Actions to introduce HE provision and to improve efficiency and the contribution by course at the IoT had yet to be concluded; and
- Although we had measured the College's carbon emissions on an annual basis for some time, we were continuing to finalise our agreed milestones that would deliver the net zero commitment.

20.4 The owners of these actions were proactively working to get these arrangements in place.

20.5 **It was resolved** to note the risk register update.

21 **Any Other Business**

21.1 There were no further items of other business.

22 **Date of next meeting**

22.1 13 March 2024

The meeting closed at 17.53 hours.

Approved by committee members at the meeting held on 11th March 2024.