

Minutes of the Finance & Estates Committee held on Monday 11th March 2024 at 4.30pm in Conference Room 2, Broadway

Members Present: Paul Noon
Jason Parker (Chair)
Jack Stokes

In attendance: Gill Darwood (Director of Corporate Governance) (DCG)
Steve Johnson (Executive Director Estates & Capital Projects) (EDECP)
Louise Jones (Chief Finance Officer) (CFO)
Diana Martin (Vice Principal) (VP)

Committee administrative matters

1 **Confirmation of quorum**

1.1 The Director of Corporate Governance (DCG) confirmed that the meeting was quorate.

2 **Apologies for absence**

2.1 Apologies for absence were received from Sarah Wood and Neil Thomas. The DCG advised members that the staff governor on the committee, Anumit Kaur, had resigned from the college with effect from 2nd February 2024 and an election was currently in progress to appoint a new staff governor who would also be appointed to the committee.

3 **Declarations of interest**

3.1 There were no declarations of interest.

4 **Approve minutes of previous meeting held 30 November 2023**

4.1 The minutes of the meeting held on 30th November 2023 were agreed as an accurate record for signature by the Chair.

5 **Matters arising**

5.1 There were no matters arising.

Finance matters

6 **Management accounts to January 2024**

6.1 The CFO presented the management accounts for January 2024 which showed the position six months into the financial year. The accounts and commentary took account of the revised budget that had been approved by Corporation. The key points to note were noted as:

- The operating surplus of £0.84m was tracking to the revised budget surplus for 2023/24.
- Income would be the biggest risk as the budget for apprenticeships was expected to track to £0.5m below the revised budget of £6.4m based on current recruitment activity.
- The cash position was behind the revised budget target of £5.7m, but still remained at 33 days. The reasons for this variance were noted as:

- Impact of underachievement of target of £200k for Apprenticeships in January.
 - The spend profile, and therefore grant receipts, for capital had been updated to match planned works in year, this was an ongoing process as works progressed.
 - Payment not received from DfE for claim against FEETF of £664k which was being investigated, and was believed to be as a result of a change of contact at DfE.
 - Delay in confirming details for high needs invoicing of £853k, therefore a delay in receiving cash for term 1.
- A number of KPIs were flagged as red due to the impact of cash, it was expected that February's cashflow would be in a favourable position, this was being monitored closely during the month. This affected KPIs on cash reserves, cash days in hand and net cash days in hand. The adjusted current and debt service ratios were flagged red, this was not seen as a concern for the year end. The debtor days KPI was red due to the impact of the delay in raising the high needs invoice, the monies for which should be received in the next period.
 - 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.
- 6.2 The CFO advised that since production of these accounts, a portion of the awaited high needs income had been received but some funds were still outstanding. This had resulted in an improved cash position of £5.2m against a target of £6.2m at the end of February.
- 6.3 The CFO and VP provided further clarification in response to questions from members. The VP advised that it was likely that the FE Commissioner's recommended pay as a percentage of turnover ratio would be increased to 67-68% to take account of pay increases which had been government funded.
- 6.4 The CFO advised that the College had set up an interest-earning bank account and therefore interest would be seen in the accounts for the year going forward.
- 6.5 **It was resolved** to recommend the management accounts to January 2024 to the Corporation for approval.
- 7 **Revised budget for 2023/24**
- 7.1 The CFO advised that the report presented an updated revised budget at quarter two, incorporating the financial changes since revised budget quarter one was originally approved by Corporation in December. The financial strategy had also been updated to reflect the new strategic plan 2024-27. Of particular note were:
- Increase in 16-19 funding from the DfE as a mid-year adjustment for higher student numbers.
 - Reduction in apprenticeship income to reflect forecast recruitment.

- Positive variance on pay by £243k due to removing headroom included in revised budget quarter one.
- LSIF funding to be received during the year which would be spent on a mix of revenue and capital spend. This must be spent by year end.

7.2 These changes had resulted in a small increase in EBITDA of £28k to £3,240k. The operating deficit had improved to £144k, an increase of £106k compared to revised budget quarter one. The targets in the financial strategy and the KPIs were largely unaffected when compared to the revised budget quarter one, with just adjusted current ratio decreasing slightly, caused by small decreases in cash and other receivables expected. There was no material impact on the loan covenants or financial health measures, the latter remained at Good.

7.3 The CFO advised that interest earned on cash was budgeted for the remainder of the year at £48k.

7.4 Members noted that the budget reflected a positive position. Student numbers were strong which boded well for the following year with increases in applications generally across the College.

7.5 It was noted that new requirements around Programmes of Study for full time learners studying mathematics and English represented a financial risk as no additional funding had been indicated to cover additional teaching requirements. There would also be a removal of the existing 5% tolerance. Members noted that this would be an area to consider should further investment be possible.

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

8 **Insurance annual report**

8.1 The CFO presented the annual Insurance Report which detailed 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.

8.2 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. There had been some cost increases at renewal as a result of increased levels of cover.

8.3 In response to a question from the Chair, the EDECP advised that building reinstatement costs were based on realistic current valuations that related to the College's recent experiences on new build projects.

8.4 **It was resolved** to note the annual insurance report.

- 9 **Value for Money/public benefit statement**
- 9.1 The CFO advised that the Office for Students (OfS) included value for money as one of its four primary regulatory objectives and required that providers regularly published clear information about arrangements for securing value for money including data about the sources of income and the way that income was used.
- 9.2 The statement set out how the College ensured that value for money was prioritised and delivered. The report was in the same format as approved in 2023, with changes which incorporated commentary on the new strategic plan 2024-27 and estates strategy. The report included updated detail on College income sources and how this money was spent to reflect the 2023 financial statements.
- 9.3 **It was resolved** to recommend the value for money – public benefit statement to the Corporation for approval and posting on the College’s website.
- 10 **Treasury management policy review**
- 10.1 The CFO presented the treasury management policy which had been reviewed and a number of changes made partly in relation to Managing Public Money.
- 10.2 **It was resolved** to recommend the amended treasury management policy to the Corporation for approval.

Estates and Capital Projects matters

- 11 **Commercially sensitive – estates and capital projects update**
This matter is the subject of a separate and confidential minute.
- 12 **Environmental and sustainability report**
- 12.1 The EDECP presented the update on the environmental and sustainability strategy, noting that:
- The College continued to train staff on sustainability issues and skills with senior leaders having awareness training, and curriculum staff attending external courses.
 - The College was progressing the setting of ‘SMART’ sustainability targets, but baseline information was required in a lot of areas being considered before meaningful targets could be set for monitoring.
 - The College had advertised a new cross-college Sustainability Manager post.
 - The Sustainability Action group continued to move forward on the key aspects of the 7 pillars.
- 12.2 In response to a question from members, the EDECP advised that electric vehicle charging points were available on all new build College sites, but that introducing these at Broadway was a challenge due to the availability of electric supply.
- 12.3 **It was resolved** to note the environmental and sustainability report.
- 13 **Commercially sensitive - gas consultancy contract**
This matter is the subject of a separate and confidential minute.

Risk and compliance matters

- 14 **Partnerships (sub-contracting) plan termly monitoring report**
- 14.1 The VP presented the paper which provided members with an update on the College's subcontracting 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.
- 14.2 The report noted that the total activity relating to subcontracting for 2023/24 was planned to be £0.26m. The College planned to make payments in the region of £0.19m. Monitoring arrangements for sub-contracted provision were detailed in section 2 of the report.
- 14.3 The Business Partnerships Team continued to provide Cross College support with respect to writing and managing contracts, with the team moving to the IoT team as this would be their key area of focus going forward.
- 14.4 The report noted that a number of sub-contracting partnerships were now coming to an end and some OMA activity was also reducing in line with the College's agreed strategy.
- 14.5 **It was resolved** to note the partnerships and subcontracting progress report.
- 15 **Risk register review**
- 15.1 The CFO presented the risk register which had been updated to align to the new strategic plan 2024-27. Risks were now listed against the new categories of People, Place, Innovation and Sustainability. Many of the risks were the same or similar, with a small number of new risks arising from the strategic plan. For those risks reportable to the Finance and Estates Committee, the number of risks had increased from five to six. The summary of changes was noted as:

Previous Risk	Net Score	Revised Risk	Net Score
The college was unable to attract and retain staff with the right skills, particularly in highly technical areas.	8	A shortage of staff with the required technical skills to deliver new programmes would impact on student recruitment.	8
Lower than expected demand and student recruitment results in income targets not being achieved.	9	Lower than expected demand and student recruitment as a result of a failure to market a strong offer through our schools and promotional events.	9
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	9	Failure to proactively engage with employers in our specialist and target growth areas means we would not meet the	9

agreed programmes or other DfE KPIs were not achieved.		requirements of the Local Skills Improvement Plan.	
		An inability to invest in the College estate would prevent us from having the technical facilities demanded by our employers.	3
Unforeseen circumstances result in potential financial instability, including lower levels of income, increasing costs.	6	Financial security underpins the success of our aspirations and we need to ensure we had the resources to make the right investment decisions.	6
By not developing or implementing our sustainability strategy we miss opportunities for funding, estate improvement and promotion of the college.	9	If we don't embed a culture of environmental sustainability we would limit our learners' ability to play their part in responding to the climate emergency.	9

- 15.2 Most of the actions for the six risks were complete or on track. There were two risks where there were delays to implementation:
- Engaging with employers: A change request had been submitted to DfE to approve a sub-licence agreement with Coventry University as a new IoT partner, approval for this request was currently delayed. Work was also ongoing with curriculum teams to improve the efficiency and contribution of courses run at the IoT.
 - Environmental sustainability: Although the net zero target had been agreed, the milestones to achieve this were yet to be confirmed in order to publicise these goals. Recruitment of a sustainability manager was currently in progress.
- 15.3 P Noon noted the need to ensure that risk scores were adjusted to ensure that the risk register remained sensitive and responsive to changes in circumstances. The CFO advised that all committees reviewed relevant risks and the risk scores for a number of risks had been reduced when appropriate, such as the Safeguarding risk monitored by standards committee.
- 15.4 **It was resolved** to note the risk register update.
- 16 **Any Other Business**
- 16.1 There were no further matters of business.
- 17 **Date of next meeting**
- 17.1 20th May 2024

The meeting closed at 17.35.

Agreed by committee members at the meeting held 20th May 2024.