

## Part I Minutes of the Corporation Budget Meeting held on Tuesday 18<sup>th</sup> June 2024 at 4.30pm via Microsoft Teams

Members Present:    Ian Austin                                  Paul Noon (Chair)  
                              Liam Butler                                        Liz Sithole  
                              Matthew Collins                                 Jack Stokes  
                              Wendy Davies                                   Neil Thomas (Chief Executive & Principal)  
                              Ana Ferreira                                     Sarah Wood  
                              Nirmal Gupta  
                              Paul Hartridge  
                              Valerie Little

In Attendance:        Gill Darwood (Director of Corporate Governance) (DCG)  
                              Debbie Goode (Executive Director Public Affairs & Marketing)  
                              Steve Johnson (Executive Director Estates & Capital Projects)  
                              Kathryn Jones (Director of HR)  
                              Louise Jones (Chief Finance Officer) (CFO)  
                              Diana Martin (Vice Principal) (VP)

### Board administrative matters

- 1                    **Confirmation of quorum**
- 1.1                The Director of Corporate Governance (DCG) confirmed that a quorum was present.
  
- 2                    **Apologies for absence**
- 2.1                Apologies for absence had been received from Jason Parker, Tom Westley and Susanne Davies.
  
- 3                    **Declarations of interest**
- 3.1                There were no declarations of interest.
  
- 4                    **Approve minutes of previous meetings**
- 4.1                The minutes of the meeting held on 19<sup>th</sup> March 2024 were confirmed as a true record by members.
  
- 4.2                The notes of the Development Event held on 3<sup>rd</sup> May 2024 were confirmed as a true record by members.
  
- 5                    **Matters arising**
- 5.1                There were no matters arising not covered on the current agenda.

### Strategic matters

- 6                    **Accountability Statement 2024**
- 6.1                The CEP advised that the content of the Accountability Statement for 2024-25 had been discussed in detail at the last development day and a number of additions and changes were highlighted. These had now all been included in the proposed final draft.

- 6.2 Following approval this would then be submitted to DfE ahead of the required deadline (30 June 2024). It would then be shared via the website in readiness for the new academic year.
- 6.3 The CEP noted his thanks to members for their input on drafting the document.
- 6.4 **It was resolved** to approve the Accountability Statement for 2024.

### Matters for information

#### 7 **Minutes of Finance & Estates Committee held on 20 May 2024**

7.1 S Wood, as Vice Chair of the Finance & Estates Committee presented the draft minutes of the meeting held on 20<sup>th</sup> May 2024 and highlighted matters considered at the meeting which included items to be covered later in the agenda on recommendation from the committee. Other matters considered at the meeting had included:

- Appointment of chair and vice chair for 2024/25.
- Curriculum efficiency data report from ESFA.
- College financial oversight update.
- Enrolment dashboard review.
- Environmental and Sustainability Report.
- Risk register review.

7.2 In respect of the estates and capital projects update discussed at the meeting, S Johnson noted that the funding for the Transport Technologies Centre from the Levelling Up Fund had been confirmed just prior to purdah, but this development as previously advised would be a number of months behind schedule due to delays in confirmation. He was currently awaiting receipt of formal documentation to confirm the funding.

7.3 **It was resolved** to note the minutes of the Finance & Estates Committee of 20<sup>th</sup> May 2024.

#### 8 **ESFA financial health review 2024**

8.1 The CFO advised that the ESFA had reviewed the College's financial position following submission of the audited financial statements for 2022/23. The key points were noted as:

- The ESFA had confirmed the College's own assessment of its financial health as Good for the last financial year.
- No significant financial controls concerns had been identified by the ESFA, based on the auditor's management letter and audit committee annual report.
- The ESFA highlighted that the Statement of Corporate Governance and Internal Control within the financial statements did not specifically address whether policies, procedures and approval processes had been updated to ensure compliance with the Managing Public Money (MPM) requirements. Both the College and Bishop Fleming had overlooked this requirement which was included for the first time in the College

Accounts Direction Handbook released last year. The College would ensure that this point was addressed in the 2023/24 accounts. The College had responded to the letter confirming that the requirements were in place.

- Governors were reminded that financial information could be viewed on the ESFA View Your Education Data (VYED). The PowerPoint presentation showed the information currently available based on the 2022/23 audited accounts. Data denoted FR was based on actual performance; data denoted CFFRFP denoted planned performance.

8.2 It was noted that this report had been considered in detail at the Finance and Estates Committee.

8.3 **It was resolved** to note the ESFA's review of the College's financial statements.

## 9 **Students' Union Annual Report and Accounts**

9.1 The CFO advised that the student union accounts for the financial year 2023 had now been reviewed by the external auditors. The key points to note were:

- Income had dropped by £5k to £54,076.
- Staff costs totalled £36.3k compared to £44k in the prior year.
- The cost of social activities had decreased from £11.3k to £8.3k.
- The overall deficit for the year was £2,065, an improvement from the prior year deficit of £4,668.
- On the balance sheet cash was still healthy at £17.6k, a slight improvement on prior year.
- Reserves had dropped to £12,366.

9.2 The CFO advised that at Finance and Estates Committee, J Stokes had noted that cash was often ringfenced to certain activities.

9.3 **It was resolved** to note the Students' Union Annual Report and Accounts to July 2023.

## 10 **Commercially sensitive - Estates and Capital Projects update**

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

### Matters for approval

#### 11 **Finance and Estates Committee Business Plan for 2024/25**

11.1 The DCG presented the business plan for the Finance & Estates Committee which had been recommended for approval by the committee. This provided an indication of business and reports which would be submitted to the meetings of the committee scheduled for 2024/25.

11.2 The proposed changes were highlighted through tracked changes in red. Specifically the timing of presentation of the curriculum efficiency reports had been reviewed to meet financial reporting timelines:

- The curriculum contribution plan for the following year had been removed from the committee's business plan and added to the full Corporation budget approval meeting in June to coincide with the approval of the budget.
- The analysis of the curriculum contribution for the previous year had been moved to the Spring term meeting.

11.3 **It was resolved** to approve the business plan for the Finance and Estates Committee for 2024/25.

## 12 **Management accounts to April 2024**

12.1 The CFO presented the management accounts for April 2024 which showed the position nine months into the financial year. The accounts and commentary took account of the revised budget that had been approved by Corporation. A forecast for the year end was also now included. The key points were noted as:

- The operating surplus of £0.86m was favourable to the revised budget surplus for the year to date. The College forecast that the year-end position would be slightly improved on the revised budget, with the deficit reducing to £112k.
- The performance of apprenticeship income was improving and was now on track to achieve budget; the College expected that the year-end position might exceed budget.
- The cash as at the end of April was favourable to revised budget by £0.6m. The reasons for this variance were noted, which predominantly related to receipt of outstanding payments from DfE and other bodies.
- The KPIs for cash reserves, cash days in hand and net cash days in hand had improved for April. The debt service ratio was now flagged as green. The debtor days KPI was red due to the impact of the delay in payment of high needs invoices.

12.2 The CFO answered questions from members and provided further clarification in relation to the red flag against creditor payments, which was due to paying suppliers more quickly than target, rather than delaying payments.

12.3 Members noted that the student income in respect of HE was flagged as red as it was more than 10% variance, however this was not a significant income line. The CEP noted that this variance reflected the change in landscape for HE provision where learners were studying level 4/5 through other mechanisms of funding as opposed to traditional routes. The Chair noted that this was a sector wide issue. The CEP advised that a more complete picture on HE provision would be available from the TTPL board minutes which would be shared at the next meeting.

12.4 **It was resolved** to approve the management accounts to April 2024.

### 13 **Learner Financial Support Policy**

13.1 D Goode presented the policy which set out eligibility criteria and entitlements which the College offered to students from the Learner Support Funds allocated by the Education & Skills Funding Agency (ESFA) and Student Finance England.

13.2 This policy outlined the financial support that could be awarded to eligible students in 2024/2025 academic year from the following funds:

- 16 to 19 Bursary Fund.
- Free Meals in Further Education Funding.
- 19+ Discretionary Learner Support Fund.
- Advanced Learner Loan Bursary.

13.3 Changes made to the previous version of the policy were highlighted in yellow. Some eligibility criteria had changed in line with ESFA regulations.

13.4 D Goode provided further explanation on the College's approach to managing childcare support funds to ensure that funds were available to support the maximum number of learners.

13.5 The VP advised that the WMCA were currently looking at how they could support with the administrative burden on the College of travel funding by working smarter and providing support for travel directly to individuals.

13.6 **It was resolved** to approve the Learner Financial Support Policy for 2024/25.

### 14 **Financial regulations annual review**

14.1 The CFO advised that an annual review of Financial Regulations had been undertaken, ensuring that the requirements of the College Financial Handbook were reflected within the document. There were no material changes to the regulations as a result of this, as the 2023 financial regulations had already been updated to reflect the Managing Public Money (MPM) requirements. However, some text had been updated to align more closely with the content of the financial handbook and these changes were highlighted in the regulations in yellow.

14.2 Two new policies were being developed as a result of the new financial handbook, relating to procurement and reserves, and these would be presented for Corporation approval in the near future.

14.3 One change had been made to the authorised signatory list for TTPL to reflect the departure of the TTPL Managing Director.

14.4 **It was resolved** to approve the amended financial regulations.

15 **Partnerships and sub-contracting termly report and plan for 2024/25**

15.1 The VP presented the paper which provided the Corporation with an overview of 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. In summary:

- 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 £0.20m.
- The College was looking to commence delivery with a new WMCA AEB funded partner - Althaus Digital. Ofsted outstanding supplier with 100% ESFA compliance on their funding audit.
- 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.

15.2 The paper also provided an overview of the College's plans for 2024/25. In addition to subcontracting, employer partners and OMAs, this also included the partnerships team taking on responsibility for monitoring of delivery providers that the College partnered with (including those at Institute of Technology). In summary:

- The total activity planned for subcontracting for 2024/25 was £680,000. The College planned to make payments in the region of £600,000.
- The College would be looking to continue delivery with the new WMCA AEB funded partner, Althaus Digital.
- Appendix 4 provided a summary of all sub-contractor providers and the value of expected income in 2024/25.
- Appendix 5 provided a summary of all expected employer partners.
- Appendix 6 provided a summary of all expected other managing agents.

15.3 **It was resolved** to approve the planned partnership provision in 2024/25, including approval for Althaus Digital to be appointed as a WMCA adult education sub-contractor.

16 **College Financial Forecasting Return (CFFR) and 2024/25 budget**

16.1 The CFO presented the College Financial Forecasting Return and proposed budget for 2024/25 compared to an updated forecast for 2023/24. She noted that the return was in the ESFA prescribed format including the commentary and highlighted the following key points:

- The proposed 2024/25 budget showed an increase in income of £3.8m, which related to increased income for 16-19 learners.
- 16-19 income of £34.9m reflected the allocation from ESFA which was based on a lagged funding methodology so reflected growth in the 2023/24 year. Although there was a possibility of in-year growth funding this had not been included in the assumptions.

- The Adult Skills Fund (ASF) (formerly AEB) was based on the allocation from WMCA of £6.2m.
- Apprenticeship income of £5.4m was a prudent target, as this area had overperformed in the current year, so may require further review in the Spring reforecast.
- The proposed budget would achieve a surplus of £200k.
- Members were also asked to approve the College’s capital expenditure programme, which had a total cost of £3.46m, made up of £1.22m College funds, £640k leased and £1.6m grant funded projects.
- The financial return required the Corporation to approve a change to two KPIs within the financial strategy, being EBITDA as a percentage of turnover and debt service cover ratio.
- EBITDA was at 6.9% of turnover against a target in the original financial strategy of 8.4%. The FE Commissioner target for colleges with Good financial health was greater than 6%; colleges with outstanding financial health should be 8% or greater. Given that this indicator was a function of increased income and corresponding expenditure it was proposed that the target for 2024/25 be held at 7%, which reflected the College’s Good financial health.
- Debt service cover was expected to be 1.4, compared to 1.85 in the financial strategy. The CFO explained that loan and lease costs were fixed, the only variable being the operating surplus, and the higher the surplus, the more cash was available to cover the cost of servicing debts. The FE Commissioner target was 2.0; provided the College had sufficient cash to service its debts and other financial KPIs performed well, the proposal was to reduce the 2024/25 target to 1.4.
- Based on the year-end forecast financial health of the College was Good in 2023/24 and Good in subsequent years.

16.2 Assumptions were detailed in relation to curriculum planning, staffing requirements, pay awards and other expenditure. Non-pay costs were calculated as the result of a zero-based budgeting exercise taking account of anticipated inflationary pressures.

16.3 The budget had taken account of a planned cost of living award and pay increments, as well as additional staffing requests to meet increased student numbers.

16.4 A cost-of-living increase of 3% had been included in the budget, which would see lower paid staff (bands 1 – 4) receiving a pay increase ranging from 5% to 3.5%, with all other staff (including senior post holders) receiving 2% and a minimum lecturer salary of £30k. The costs fell within the overall proposed pay budget and further details of the costs and impact of this were set out within the appendices.

16.5 The budget included the proposed contribution to funding of the Students’ Union which comprised a Students’ Union grant of £26,315, and contributions to consumables and pay costs of £127k, giving a total cost of

£153k. The CFO noted that this represented an increase on the previous year of £11.5k.

- 16.6 The budget included the TTPL budget which would also be presented to the TTPL board for approval. The forecast was a deficit of £53k for 2023/24 and a surplus of £107k in 2024/25. There had been a large increase in activity by University of Worcester who would be delivering from the IoT for two years prior to moving to Health Innovation Dudley.
- 16.7 There were some risks associated with this budget, these were dealt with further in the sensitivity section in the commentary, where more detailed actions to address adverse variances were listed.
- 16.8 Members of the senior team provided further clarification on points of detail in relation to the proposed budget in response to questions from members. The CFO provided further clarification in relation to the proposed adjustment of the EBITDA KPI compared to the target set in the Strategic Plan. She advised that the ESFA benchmarking tool showed an average sector EBITDA of 5%.
- 16.9 The VP noted that the capital expenditure commitment was higher than in previous years and this was linked to the growth in learner numbers.
- 16.10 Members noted that staffing numbers were set to increase by 30. The VP advised that there had been a large number of additional staffing requests which were mostly for teaching staff due to additional increases in learners. Not all posts had been released, the position would be reviewed following September enrolment. Any recruitment would be undertaken in line with the approved budget.
- 16.11 With regard to the impact on cash of the lower operating surplus and the long-term policy around reinvestment, the CFO advised that the financial strategy was to ensure that the College was generating sufficient surpluses to invest in the student experience and in fixed assets.
- 16.12 The CEP reminded members of the approach agreed during development of the Strategic Plan to move into a new phase of strategy as the College was in a good financial position with the aim of focusing investment in the student experience which would be achieved through increasing the staffing complement and further capital expenditure relating to curriculum delivery.
- 16.13 The budget reflected an ability to resource departments sufficiently to support the growth which had already been seen. He noted that there may be further areas of growth to consider going forward.
- 16.14 In relation to a point raised by P Hartridge in relation to technician staffing within carpentry, the CEP advised that this post may be one of those which had been held at the current time for review in September. K Jones advised that additional hours had been offered to existing part time and fractional staff in this area as an alternative to recruitment of new staff.



- 16.15 In relation to capital expenditure, the CFO advised that this was a complex picture and the total expenditure included College contribution to matched funding, lease funding and capital grants.
- 16.16 The CFO advised that the KPI of 34 cash days was above the FEC recommendation. The proposed budget would ensure that all KPIs were met, subject to adjustment of the two KPIs outlined, all loan covenants would continue to be met and financial health would remain at Good. There were no matters to be brought to the DfE in relation to Managing Public Money requirements.
- 16.17 In relation to bus passes, the CFO explained the College's approach to providing all 16-19 year old learners with a free bus pass, and the arrangements for this to be funded either from Discretionary Learner Support Fund (DLSF) for those who met means-tested criteria, and those who were not eligible for DLSF funded by the College. D Goode advised that ahead of enrolment it was very difficult to predict who would fall within the means-tested criteria for DLSF, although some modelling had been undertaken.
- 16.18 The Chair noted that the budget would need to be kept under review, particularly in respect of any potential new government. The CFO noted that, particularly in respect of pay, any changes would be brought back to the Corporation for approval.
- 16.19 **It was resolved to approve:**
- The revenue and capital budgets for 2024/25.
  - A pay award representing a total cost of 3%.
  - The grant to the Students' Union of £26,315.
  - The financial return to be submitted to the ESFA by 31<sup>st</sup> July 2024.
- 17 **Any other business**
- 17.1 The Chair reported on conversations with AoC and others regarding the forthcoming election and the potential impact of a change in government. It was felt that the role of the regional mayors would become more important in relation to funding.
- 17.2 There were no further matters of any other business for part 1.
- 18 **Date of next meeting**
- 18.1 The next meeting would take place on Tuesday 2<sup>nd</sup> July 2024.

Staff members, staff and student governors left the meeting.

The part 2 meeting is the subject of a separate confidential minute.

*Approved by Corporation members at the meeting held on 2<sup>nd</sup> July 2024.*