DRAFT Minutes of the Finance & Estates Committee held on Monday 20th May 2024 at 4.30pm in Conference Room 2, Broadway

Members Present:	Ana Ferreira Paul Noon (on Teams) Jason Parker (Chair) Jack Stokes Neil Thomas Sarah Wood
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)

Main outcomes

- *Appointment of chair and vice chair for 2024/25.*
- *Committee business plan for 2024/25 recommended to Corporation.*
- *Curriculum efficiency data report from ESFA noted.*
- *College financial oversight update noted.*
- *ESFA Financial health letter noted.*
- *Management accounts to March 2024 recommended to Corporation.*
- *Enrolment dashboard review noted.*
- *Students Union Annual Report and Accounts noted.*
- *Estates and capital projects update noted.*
- *Environmental and Sustainability Report noted.*
- *Partnerships (sub-contracting) plan termly monitoring report and plan for 2024/25 recommended to Corporation.*
- *Risk register review noted.*
- *Learner Financial Support Policy recommended to Corporation.*
- *Financial regulations recommended to Corporation.*

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 There were no apologies for absence.

3 Declarations of interest

3.1 There were no declarations of interest.

4 Approve minutes of previous meeting held 11th March 2024

4.1 The minutes of the meeting held on 11th March 2024 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 2024/25**

6.1 **It was resolved** to appoint Jason Parker as Chair and Sarah Wood as Vice Chair for 2024/25.

7 **Committee business plan for 2024/25**

7.1 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 2024/25. It was not a rigid document but was intended as a guide and needed to remain flexible to accommodate emerging priorities and unforeseen eventualities.

7.2 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.

7.3 **It was resolved** to recommend the business plan for the Finance and Estates Committee for 2023/24 to the Corporation for approval.

Finance matters

8 **Curriculum efficiency data report from ESFA**

8.1 The CFO presented the curriculum efficiency data report provided by ESFA. She explained that the Department for Education had published information allowing colleges to compare curriculum efficiency. The tool used the information supplied to the DfE in the finance record, based on the audited accounts for 2022/23. The tool allowed selection of the most relevant colleges to benchmark against which provided a benchmark population of 28 similar colleges.

8.2 It was noted that some of the calculations produced odd results as had been noted in the previous year. The report nevertheless provided some useful indicators to consider. The report included a presentation of the benchmarking information in respect of learners, pay costs, non-pay costs, curriculum efficiency and ratios.

8.3 The key points were noted as:

- Dudley College learners generated higher levels of income with the exception of apprenticeships and HE students.
- The College employed the same number of teaching staff but fewer non-teaching staff and for both groups of staff paid more per FTE (16% and 6% respectively).
- The College employed slightly more senior managers and average salary was higher (lower in 2021/22).
- Non-pay spend in teaching and other departments was lower than the benchmark.

- The College had similar premises space than benchmark, although it cost more to run, with electricity costs being 36% higher.
- Curriculum efficiency measures were mixed. The College performed less well in terms of staff utilisation and remitted hours, although this could be down to the recording methodology. Average class sizes were also smaller. However students got more time in the classroom, and the attrition (drop out) rate was lower. Contribution by curriculum teams was higher and spend on overheads was lower.
- Ratios showed that the College performed reasonably well and exceeded the FE Commissioner benchmark. EBITDA was better than benchmark, and staff costs as a percentage of income were lower.

8.4 P Noon noted the anomaly in teaching hours reported, as the report stated that staff were contracted 816 hours which was lower than benchmark, but taught fewer hours, had higher remission, more hours in the classroom and generated more funding per student. Members noted therefore that this raised some questions relating to the benchmarking.

8.5 **It was resolved** to note the Curriculum Efficiency Data report from ESFA.

9 **College financial oversight**

9.1 The CFO presented an update in relation to the ESFA's analysis of FE college financial statements for the year end 31 July 2023. This was an opportunity for them to review the general financial health of the sector and based on a number of indicators, colleges were now in an unexpectedly better financial position than many other DfE regulated institutions.

9.2 However there continued to be challenge over the extent to which the FE sector was regulated; with more financial information required to be submitted to the DfE through the college financial forecasting report (CFFR) and other returns.

9.3 Notwithstanding the comparatively better health in the sector, the AoC were urging governing bodies and college leaders not to be complacent, based on a number of factors:

- College margins had been falling. Average EBITDA was 8.5% of adjusted income in 2020-21 but budgeted to fall below 5% in 2023-24.
- Staff costs as a proportion of income were above the 65% benchmark in most colleges with further rises in the last 12 months as a result of the 6.5% pay recommendation, two rises in the national minimum wage and the Treasury-mandated rise in the TPS contribution.
- The areas where income was rising (16-18, high needs) had been accompanied by rising costs (many of which had been mandated by DfE eg. T Levels) while many of the areas where funding per student had been held down (adult skills, apprenticeships, higher education) had sluggish or falling demand.
- Colleges were more reliant on DfE funding than ever - partly because of the rising 16-18 budget - but DfE had no information on its budget after April

2025 and faced the possibility of budget cuts because of falling school pupil numbers.

- Although the annual inflation rate was 3.2% in the latest ONS report, prices as measured by the Consumer Price Index were 21.6% higher than 3 years ago (comparing March 2021 and March 2024).
- The defunding of qualifications would hit 16-18 income in many colleges with enrolment reductions in autumn 2024 and autumn 2025 translating into funding reductions in 2025-6 and 2026-7.
- DfE officials anticipated a one-year spending review for 2025-6 which implied limited action to resolve capital funding issues or put a long-term college loan solution in place.

9.4 **It was resolved** to note the College Financial Oversight update.

10 **ESFA Financial health letter**

10.1 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 control concerns had been identified by the ESFA, based on the auditor's management letter and audit committee's annual report.
- The ESFA had 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 had provided assurance on this point to the ESFA.
- Members were reminded that financial information could be viewed on the ESFA View Your Education Data (VYED) website. A summary of the information currently available was provided which was based on the 2022/23 audited accounts.

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

11 **Management accounts to March 2024**

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

- The operating surplus of £0.58m 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 below the revised budget of £5.9m based on current recruitment activity, with a potential reduction of £0.5m.

- The cash position was behind the revised budget target of £5.7m, but was at 37 days. The reasons for this variance were noted in relation to spend profile, grant receipts and funding income from the local authority for high needs. The CFO advised that the usual credit control processes were being followed to recover these debts.
- The KPIs for cash reserves, cash days in hand and net cash days in hand had marginally decreased for March. The debt service ratio was still 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 payment of the high needs invoices.

11.2 The CFO advised that a number of the areas flagged as red would be green in the April management accounts.

11.3 **It was resolved** to recommend the March 2024 management accounts to the Corporation for approval.

12 Enrolment dashboard review

12.1 The CEP presented the April update of the data dashboard which included updates on enrolment numbers as follows:

- 16-18 full time learners – up 7% on the previous year and retaining students. This level outperformed the demographic growth in the area.
- A level learners – also increased by 6% on previous year.
- Adult enrolments were up by 10% on the previous year. This year, enrolment had started at the previous June open day in this area due to high demand, which would be repeated this year and any existing adult learners would be invited in on 5th June for progression enrolment prior to the main activity on 12th June.
- Apprentices were down, partly as a result of the planned strategic withdrawal from sub-contracting. The recruitment of apprenticeships had reached a steady state.
- Higher skills enrolments were down slightly on the same point last year but not significantly.
- High needs learners – the actual position was comparable to the previous year, with 193 learners but funding for 175 currently. The local authority had agreed to pay the additional element 3 funding for these extra learners.

12.2 **It was resolved** to note the enrolment dashboard review.

13 Students Union Annual Report and Accounts

13.1 The CFO presented the Students' Union annual report and accounts for the financial year 2023 which had now been reviewed by their external auditors. The key points to note were:

- Income had dropped by £5k to £54,076.
- Staff costs total of £36.3k compared to £44.0k 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 the prior year. £14k of the cash was ringfenced to specific projects that the SU were undertaking.
- Reserves had dropped to £12,366.

13.2 J Stokes noted that a wide range of other projects were being pursued and other potential sources of funding being identified such as through the Football Association.

13.3 In response to a question from the Chair, J Stokes advised that expenditure on social activities for the current year would increase compared to the previous year.

13.4 He advised that the reduction in staffing costs was as a result of staff moving into different roles which were funded directly within the College.

13.5 The CEP advised members that the budget request for 2024/25 for the Students' Union would be presented to Corporation as part of the overall budget in June.

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

Estates and Capital Projects matters

14 **Estates and capital projects update**

14.1 S Johnson provided an update on progress in relation to current estates and capital projects:

- The Towns Fund project was progressing, with a revised proposal to meet the budget limit being developed. Dudley MBC had approved additional funds to meet the costs, and the two remaining buildings had now been acquired without the need for the CPO process. The property was now vacant. As a result it was felt that plans were now progressing well towards a January 2026 completion.
- Capital Transformation Fund works were progressing with the window replacements making substantial progress.
- Animal Science was progressing but slightly behind programme. Costs were also slightly over budget due to damp issues being discovered. The team were working to recover this. Completion was anticipated to be late July 2024. It was hoped that members could be offered a tour of the new facility prior to the July Corporation meeting.
- 12 The Broadway had been delayed but was being costed by the contractor to commence in June for conversion to a supported internship provision.
- Work supported by the PSDS Salix grant to provide new heating to the Broadway buildings was being progressed. The new electrical supply was installed over the Easter break, and the pipework and stripping of existing plant was well advanced.
- The decarbonisation plans funded through the Salix LCSF grant had been completed and were being checked before issuing.

– Additional Salix funding had been secured to replace the heating system for D and F blocks.
– The College was still awaiting the outcome of the revised Levelling Up fund bid for a new Transport Technologies centre in Brierley Hill. This notification was beyond the anticipated date and could risk a delay to this project beyond the planned September 2026 opening.
– The agreed College 2023/24 capital programme had been progressed with substantial works completed.

14.2 S Wood advised that she and A Ferreira had conducted an engagement activity on sustainability and had been very impressed with the new developments particularly the Animal Science Centre and ground source heat pumps being installed at Broadway. Members noted the sustainability advantages of the decision to refurbish the existing building rather than undertaking a new build.

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

15 Environmental and Sustainability Report

15.1 S Johnson provided an update on progress on the environmental and sustainability action plan, 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.
– Interviews had taken place for a new cross-college Sustainability Manager with an applicant appointed who would be commencing in August 2024. Their job role would be to embed sustainability in the curriculum and to facilitate the College's sustainability journey.
– The Sustainability Action group continued to move forward on the key aspects of the 7 pillars.
– The latest progress against the Sustainability Action Plan was appended to the report.

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

Risk and compliance matters

16 Partnerships (sub-contracting) plan termly monitoring report and plan for 2024/25

16.1 The VP presented the report 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.
– Looking to commence delivery with new WMCA AEB funded partner - Althaus Digital, who were an Ofsted outstanding provider introduced to the College by WMCA.
– 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.

16.2 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.
– Looking to continue delivery with 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.

16.3 The CEP invited members to provide any feedback in terms of reporting of future sub-contracting and partnership activities, and it was felt that the current report format provided the information required.

16.4 **It was resolved** to recommend the planned sub-contracting (partnership) provision in 2024/25 and the approval for Althaus Digital to be appointed as a WMCA adult education subcontractor.

17 **Risk register review**

17.1 The CFO advised that there were six risks requiring scrutiny by the Finance and Estates Committee, two in each of the strategic plan categories of people, place and sustainability.

17.2 The risk register showed the actions being taken to further mitigate the risks identified.

- There were four risks with a higher net risk score of 8 or 9 (highest possible risk score was 16), which were work on shortage of technical staff, student demand/recruitment, employer engagement and environmental sustainability.
- One risk had a net risk score of 6 (financial security).
- One risk had a net score of 3.

17.3 Most actions were on track to be completed, however there were delays being experienced on the following:

- Environmental sustainability: to consider the milestones needed to achieve the net zero target, which would then be publicised. Following appointment of the Sustainability Manager it was anticipated that rapid progress would be made on this.

17.4 All areas were subject to close scrutiny by the senior leadership team to ensure that any barriers to successful completion were being tackled.

17.5 **It was resolved** to note the risk register review.

18 **Learner Financial Support Policy Review**

18.1 The CFO presented the updated 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.

18.2 The policy outlined financial support that could be awarded to eligible students in 2024/25 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.

18.3 Changes made to the previous version of the policy were highlighted through tracked changes.

18.4 **It was resolved** to recommend the learner financial support policy review to the Corporation for approval.

19 **Financial regulations annual review**

19.1 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, 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.

19.2 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.

19.3 The authorised signatory list for TTPL had been updated to include the College CFO, following the departure of the Managing Director of TTPL.

19.4 **It was resolved** to recommend the updated financial regulations to the Corporation for approval.

20 **Any Other Business**

20.1 There were no items of other business.

21 **Date of next meeting**

21.1 28 November 2024
10 March 2025
19 May 2025

The meeting closed at 17.32 hours.

Approved at the Finance and Estates committee meeting held on 28 November 2024.