

Minutes of the Finance & Estates Committee held on Thursday 28th November 2024 at 4.30pm in Conference Room 2, Broadway

Members Present: Ana Ferreira (item 10 onwards)
Mphathisi Ncube
Deborah Ibojo
Neil Thomas
Sarah Wood (Vice Chair)

In attendance: Gill Darwood (Director of Corporate Governance) (DCG)
Louise Jones (Chief Finance Officer) (CFO)
Diana Martin (Vice Principal) (VP)

Main outcomes

- Finance and Estates Committee's Annual Report 2023/24 approved.
- Enrolment dashboard update noted.
- ESFA College Financial Health confirmation and dashboard noted.
- Annual report and financial statements 2023/24 and the reconciliation of July 2024 management accounts and year end accounts 2023/24 recommended to the Corporation.
- Management accounts to October 2024 recommended to the Corporation.
- Revised budget 2024/25 including 0.5% pay award applicable to all staff recommended to Corporation.
- Fees Policy for 2025/26 recommended to the Corporation.
- Reserves Policy recommended to the Corporation.
- Update on development of the procurement policy and procedure noted.
- Estates and capital projects update noted.
- Environmental and sustainability report noted.
- Partnerships (sub-contracting) review 2023/24 noted.
- Partnerships (sub-contracting) Termly Monitoring Report noted.
- Risk register review noted.

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 and welcome to new members

2.1 Apologies for absence were received from J Parker, P Noon and S Johnson. In the absence of J Parker, S Wood chaired the meeting.

2.2 The chair welcomed new members Mphathisi Ncube and Deborah Ibojo to their first meeting of the committee.

3 Declarations of interest

3.1 There were no declarations of interest.

4 **Approve minutes of previous meeting held 20th May 2024**

4.1 The minutes of the meeting held on 20th May 2024 were agreed as an accurate record for signature by the Chair.

5 **Matters arising**

5.1 There were no matters arising.

6 **Committee terms of reference 2024/25**

6.1 The DCG advised that the terms of reference for the Finance and Estates Committee had been reviewed and the changes proposed were of a minor nature and related to:

- Inclusion of reference to the new College Financial Handbook.
- Change of reference from ESFA (Education and Skills Funding Agency) to DfE (Department for Education) – to take account of the closure of the ESFA from March 2025 and the transfer of its functions into the DfE.
- Inclusion of reference to the committee's role in oversight of the College's Environmental and Sustainability Action Plan.

6.2 **It was resolved** to recommend the committee terms of reference 2024/25 to the Corporation for approval.

7 **Committee's Annual Report 2023/24**

7.1 The DCG advised that the report summarised the work undertaken by the Finance & Estates Committee in 2023/24. Once approved by members the report would be placed in the document library of Convene for access by all Corporation members.

7.2 Members noted that this report provided a helpful overview of the range of matters considered by the committee during the course of the year.

7.3 **It was resolved** to approve the Finance and Estates Committee's Annual Report 2023/24.

Finance matters

8 **Enrolment dashboard update**

8.1 The CEP provided an update on enrolments using the live dashboard, noting that enrolments for each key client group had been reviewed at the recent Corporation meeting and also in detail at Standards Committee. The key points were noted as:

- 16-18 enrolments were up on the previous year, with a slight decline over the first half term of the academic year, as was usual.
- A level learners showed a modest increase.
- Adult enrolments had increased compared to the same point last year but enrolments would continue throughout the year. It was anticipated that the adult funding allocation from WMCA would be exceeded.
- Apprenticeships were anticipated to stabilise in line with the previous year.
- Higher Skills enrolments in traditional programmes were down compared to the previous year as learners were choosing alternative pathways at level 4 and above.

The CEP noted that it was proposed to amend the dashboard indicators to focus on all HE provision rather than just HNC/HNC programmes.

- High needs enrolments were in line with the planned allocation from the local authority.

8.2 The CEP answered questions from members on points of detail relating to enrolments. He advised that the government had not yet confirmed the criteria for any in-year growth funding for 16-18 learners and this had not been factored into the budget. He explained the challenges with the lagged funding methodology in relation to future years, as with growing numbers the funding would never match learner numbers. He also provided further explanation of the funding methodology in relation to apprenticeships.

8.3 The VP provided an explanation of the College's approach to capping learner numbers, which was only done as a necessity due to capacity in terms of workshop space and technical resources. In the current year this had been the case in a number of high demand courses predominantly in the construction trades.

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

9 **ESFA College Financial health confirmation and dashboard**

9.1 The CFO presented the letter from ESFA which confirmed that based on their review of the College Financial Forecasting Return (CFFR) that their assessment of the College's financial health was Good for 2023/24 and Good for 2024/25, in line with its own assessment. The finance record would be submitted in December and confirmation received in the Spring regarding the ESFA's assessment of financial health.

9.2 In response to a question from M Ncube in relation to the achievement of outstanding financial health, the CEP noted that this was not necessarily desirable due to the methodology by which it was calculated, which did not reward investment in facilities, but rewarded a risk averse approach with high levels of surplus and cash with low levels of borrowing. This would reward not investing but sitting on money. Louise – to achieve outstanding you have large surplus, cash in the bank and very little or no borrowing.

9.3 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 provided for ease of use. The dashboard would next be updated in the new year following submission of the finance record in December.

9.4 **It was resolved** to note the ESFA College Financial Health confirmation and dashboard.

10 **Annual Report and Financial Statements 2023/24 and reconciliation of July 2024 management accounts and year-end accounts 2023/24**

10.1 The CFO advised that Bishop Fleming were concluding their audit work and had confirmed in doing so, they had not identified any significant risks requiring further audit work. Four low level recommendations were made as a result of the audit work, which management had confirmed. All of the prior year audit recommendations had been implemented.

- 10.2 The year-end position showed a positive outturn compared to forecast. Income was slightly higher than budget due to additional delivery on adult education budget through WMCA. Pay costs were slightly higher than budget by £135k (0.4%) and non-pay costs were lower than budget by £373k (2.8%). At £4.2m EBITDA was £460k better than forecast, as was EBITDA as a percentage of income at 8.5%. Most KPIs had been met with the exception of creditor days. Cash and cash days were better than expected (£6.98m and 56 days respectively). Loan covenants had been met with substantial headroom. The college's financial health, including and excluding FRS102, calculated as Good.
- 10.3 The CFO provided further explanation in relation to the pensions position and drew members attention to a detailed note which was included in the accounts. A reconciliation against July management accounts was provided in the papers to support understanding of the year end position. The paper also included the full year accounts in the normal management style format, as well as the draft annual report and financial statements.
- 10.4 In relation to the £31k write off of debt, the CFO advised that this related to historic debts made up of unpaid student and employer fees which had been deemed unrecoverable despite strenuous credit control efforts. This amount represented an amalgamation of a number of small debts.
- 10.5 In relation to the surplus, the CFO confirmed that the College was able to retain any surplus generated for investment in future capital developments in line with the agreed budget and estates strategy and this was held in the income and expenditure reserve on the balance sheet.
- 10.6 **It was resolved** to recommend the annual report and financial statements 2023/24 and the reconciliation of July 2024 management accounts and year end accounts 2023/24 to the Corporation.
- 11 **Management accounts to October 2024**
- 11.1 The CFO presented the management accounts for October 2024 which showed the position three months into the financial year. The key points to note were as follows:
- The income and expenditure year to date budget was based on the original budget. A revised budget would be presented to Corporation for approval in December.
 - The operating surplus of £365k was £159k higher than the year-to-date budget surplus for 2024/25.
 - The College was routinely closely monitoring income. Apprenticeship income had been set at a prudent level and the College was reasonably confident that this budget was achievable. ESFA 16-19 income would be reduced in the revised budget due to an expected clawback on T level recruitment.
 - The cash position continued to remain very positive. The cash position of £7.3m at the end of October compared very favourably to the target of £4.3m. This was due to a lumpy profile of income in respect of DLSF (bursary) income which needed to be transferred out of the College's main account, and receipt of teachers' pension grant of £1.2m.

- KPIs showed a positive position with most having a green indicator. There were a number of amber KPIs, relating to cash days, but given the cash balance was of no concern. The profiling of cash days through the year would be updated in the revised budget to give a more accurate picture which should deal with these anomalies.
- It was expected that the loan covenants would 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.

11.2 **It was resolved** to recommend the management accounts to October 2024 to Corporation.

12 **Revised budget 2024/25**

12.1 The CFO advised that an updated budget was presented for approval, incorporating the financial changes since the budget was originally approved by Corporation in June. Of particular note were:

- Decrease in 16-19 funding of £279k due to under-recruitment on T levels.
- Increase in apprenticeship income to £5.55m
- Increase in other funding body grants of £660k.
- DfE had indicated that the College would be reimbursed for the increased cost of national insurance contributions (NICs), although the exact figure had not been confirmed. The actual cost was anticipated to be £376k representing the part-year cost from April.
- Increase in cost-of-living award of 0.5% based on AoC recommended pay award of 2.5%. The full year cost of this was £167k as 2% was already incorporated within the budget.
- A transfer of costs from non-pay to pay in operations and maintenance being the transfer of security staffing costs.
- Additional costs associated with an increase in funding body grants.
- A reduction in sub-contract costs as some costs for the Althaus contract fell into 2023/24.

12.2 Any potential in year growth would not be confirmed until February so would be incorporated in any future budget update.

12.3 These changes had resulted in a similar EBITDA and the operating position had remained the same at a surplus of £213k. The targets in the financial strategy were largely unaffected when compared to the original budget, and there was no adverse impact on the KPIs. There was no impact on the loan covenants or financial health measures, the latter remained at Good.

12.4 The revised budget presented a cautious position at this early point in the year. The accompanying presentation provided the key changes from the revised budget at quarter one in the management accounts format.

12.5 **It was resolved** to recommend the revised budget 2024/25 including the 0.5% pay award applicable to all staff including senior post holders.

13 **Fees policy 2025/26**

13.1 The CFO advised that the fees policy was revised annually to reflect changes in funding agency rules and fees. The 2025/26 policy incorporated the following changes, some of which reflected current practical application:

- DfE had announced a full-time cap of £9,535 for 2025/26. The College's full time HE fee had been £5,995 for some years, increasing to £6,000 (0.08%) in 2024/25. The HE part-time fee had been increased to £3,845 in 2024/25 (10%). The College was therefore considering an increase to the full-time fee by 8% to £6,500, however noted that this was not financially significant to the College and may depress HE recruitment. The fee had been held in the policy at £6,000 however Committee members' views on this were invited.
- The ability for employers to transfer their levy to another employer, in line with funding rules.
- An update in terminology, amending reference to ESFA to DfE as this change would take place during the year.

13.2 The committee discussed the potential impact of increasing Higher Education (HE) fees on recruitment and individual learners. Members noted that there was already a decline in learner numbers in this area, as highlighted earlier in the meeting. Historically, the College had aimed to differentiate itself from universities in its HE offering.

13.3 Key points raised included:

- **Benchmarking:** The CFO confirmed that the College's current fees were similar to neighbouring colleges, based on available data for the current year.
- **Fee increase amount:** Members considered a £500 increase reasonable. However, the importance of separating the issue of fees from broader HE recruitment challenges was emphasised.
- **Impact analysis:** Questions were raised about whether mechanisms existed to attribute changes in student numbers directly to fee increases. It was noted that although HE student numbers were not dropping, learners were increasingly opting for alternative routes.
- **Flexibility in fee reductions:** The College could potential lower fees in subsequent years if the fee increase was determined to be detrimental.
- **Inclusivity:** The VP highlighted that 57% of adults and a similar proportion of young people served by the College fell within the highest deprivation bands, reinforcing the need to prioritise inclusion in decision-making.
- **Financial considerations:** The need to consider the cost of delivering HE programmes and ensure that they continued to make a financial contribution. It was noted that a contribution analysis was periodically reviewed by the committee to ensure all areas were financially viable, with minimum class sizes maintained to avoid running at a loss.

13.4 The discussion provided valuable insights for the College to consider in determining future HE fee structures and would be taken into account when recommending the policy to the Corporation for approval.

13.5 **It was resolved** to recommend the Fees Policy for 2025/26 to the Corporation.

14 **Reserves Policy**

14.1 The CFO advised that the College Financial Handbook required the College to have an approved reserves policy. The proposed policy ensured compliance with the FE and sixth form college corporations: governance guide and the Charity Commission charity reserves: building resilience document.

14.2 The policy set out the College's ambition to maintain a general reserve value of approximately 50% of the expected annual income at the end of the year to protect operations in the following year against in-year changes to funding rules, the uncertainties of student recruitment and commercial income generation. This excluded the impact of FRS102 pension provisions. It further ensured that the College retained a cash balance of at least £4m and a minimum of 25 cash days on a monthly basis, with a cap of £8m or 60 days over a period of 4 months unless designated for particular investment in the estate or IT.

14.3 **It was resolved** to recommend the Reserves Policy to the Corporation.

15 **Procurement Policy and Procedure**

15.1 The CFO advised that the introduction of the College Financial Handbook required colleges to publish a procurement policy. Currently procurement rules sat within the financial regulations which were annually approved by the Corporation.

15.2 The College had appointed an independent procurement expert, to draft a standalone procurement policy and procedures, provide training on the new regulations and provide ongoing procurement support. The new documents would also reflect the requirement of the 2023 Procurement Act and regulations which would come into effect on 24 February 2025.

15.3 Given the scope and complexity of the policy it had been decided to use the draft document as a pilot with a small number of key budget holders to ensure that the final version had been well road-tested prior to bringing it to the Corporation for approval and subsequent full launch across the College.

15.4 This pilot would run over the next two months and a final version of the policy would be presented to the committee at the next meeting in March. It was noted that any risk of non-compliance with the College Financial Handbook was minimal as currently the College had procurement rules within the financial regulations, in addition to holding a draft policy. Taking further time to refine the policy would also allow the College to respond to any changes in the implementation of the Procurement Act.

15.5 In response to a question from M Ncube, the CFO confirmed that the selected pilot areas were those with the largest expenditure, so it was anticipated that the trial period would give scope to cover all procurement activities during this timeframe.

15.6 **It was resolved** to note the update on development of the procurement policy and procedure.

Estates and Capital Projects matters

16. **Commercially sensitive – estates and capital projects update**

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

17 **Environmental and sustainability report**

17.1 The CFO presented the environmental and sustainability report which noted that:

- The College had appointed a new cross college Sustainability Manager, who took post in August 2024.
- The Sustainability Project Plan had been updated and the seven pillars had been merged into four:
 - Leadership and governance
 - Teaching, learning and innovation
 - Estates and operations
 - Partnerships and engagement
- The new pillars were linked to the relevant sustainable development goals.
- A number of key initiatives had taken place since August 2024 relating to curriculum integration and Green Skills, student engagement and waste management.
- The Sustainability Action Plan statements of intent for each of the four pillars were appended to the report, this document was currently in draft and subject to refinement.

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

Risk and compliance matters

18 **Partnerships (sub-contracting) review 2023/24**

18.1 The VP presented the paper which provided the committee with an overview of the College's sub-contracting provision for 2023/24 and the monitoring arrangements that were in place. The key points were noted as:

- The total activity relating to sub-contracting for 2023/24 was £0.44m. The College made payments to partners totalling £0.32m.
- Monitoring arrangements for sub-contracted provision were detailed in section 2.
- Appendices provided a summary of all sub-contractor providers and the value of income in 2023/24 and 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 2024/25 as more technical curricula were introduced and new partnerships with HEIs were planned to come on-board.
- Ofsted's opinion was that 'the college monitors sub-contracting provision effectively'.

18.2 **It was resolved** to note the partnerships (sub-contracting) review 2023/24.

19 **Partnerships (sub-contracting) termly monitoring report**

19.1 The VP presented the paper which provided the committee with an overview of the College's planned sub-contracting provision for 2024/25 and the monitoring arrangements in place. It also provided an update on the employer partnership,

other managing agent (OMA) and Institute of Technology partner activity. Key points were noted as:

- The total activity relating to subcontracting for 2024/25 was planned to be £0.47m. The college plans to make payments in the region of £0.42m.
- Monitoring arrangements for sub-contracted provision were detailed in section 2.
- Other cross college activities including update on IoT partners was detailed in the paper.
- Appendices provided a summary of all sub-contractor providers and the value of expected income in 2024/25, as well as employer partners and other managing agents.
- It was expected 'niche' high-value partnerships would continue to be required as more technical curricula were introduced.
- New partnerships with Higher Education Institutions were planned to come on-board.
- Business Partnerships Team continued to provide Cross College support with writing and managing contracts and now worked closely with the IoT.

19.2 **It was resolved** to note the Partnerships (sub-contracting) Termly Monitoring Report.

20 **Risk register review**

20.1 The CFO presented the risk register review, noting 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.

20.2 The risk register showed the actions that were being taken to further mitigate the risks identified:

- There were two risks with a higher net risk score of 8 or 9 (highest possible risk score was 16), which were the College's work on shortage of technical staff/resources and failure to engage with employers in specialist areas.
- Risks with a lower score were on income maximisation, delivery of Health Innovation Dudley project, financial stability and environmental sustainability.

20.3 All actions were on track to be completed with some already showing completion. All areas were subject to close scrutiny by the senior leadership team to ensure that any barriers to successful completion were being tackled.

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

21 **Any Other Business**

21.1 There were no items of other business.

22 **Date of next meeting**

22.1 10 March 2025
19 May 2025

The meeting closed at 18:10 hours.

Approved at the Finance and Estates committee meeting held on 10th March 2025.