

**WALSALL COLLEGE
MINUTES OF A MEETING OF THE FINANCE & RESOURCES COMMITTEE
HELD ON THURSDAY 29 APRIL 2021 AT 0930 HRS
VENUE: VIA ZOOM**

PRESENT: Dave Wheeler
Jat Sharma
Allan Pinnegar
Stuart Pedley-Smith
Charlotte Bosworth

**Chair
Principal**

TOGETHER WITH: Matthew Brown
Jacky Leek
James Norris (Item 50.21)
Alison Buick

**Director of Finance & MIS
Head of Finance
Assistant Principal Commercial Development
Clerk to the Corporation**

APOLOGIES: None.

43.21 CHAIR'S OPENING REMARKS

The Chair welcomed all to the meeting and thanked them for their attendance.

44.21 APOLOGIES FOR ABSENCE

None.

45.21 DECLARATIONS OF INTEREST

The Director of Finance & MIS noted an interest in the item relating to the pay award later in the agenda.

46.21 MINUTES

The minutes of the meeting held on 23 February 2021, having been circulated, were taken as read and approved.

47.21 MATTERS ARISING

Governors reviewed the Action Points Record for Finance & Resources Committee and noted the following:

Item 69.19

The review of commercial activities was not due until October 2021.

Item 04.20

The Staff wellbeing update had been deferred until October 2021.

Item 11.20

The suggested review of exam fees had been deferred until March 2022.

Item 07.21

Contact was to be made with the insurance brokers.

Item 08.21

It was agreed as too early to look at activities in Cannock, which had only just begun. This would be brought back in October 2021.

Item 26.21

There was no update on the Health and Safety Annual Report.

Item 36.21

The impact of Construction College Midlands (CCM) on the budget would be shown from 2021/22.

Item 41.21

There were no project business cases for consideration at this meeting. These would be brought at an appropriate future date.

48.21 CHAIR'S ACTIONS

There were two Chair's Action reported, one in relation to an increase in value of a subcontracting arrangement and the other in relation to the awarding of building contracts for works at Green Lane. The details as set out in the written report were noted.

The Committee Chair had approved both requests.

The Director of Finance & MIS noted that the Green Lane works were split into three tenders. Four contractors had registered to tender for the works, however, only two had returned tenders. All three tenders had been awarded to the same company. The college had experience of working with them previously and did not deem this to be a risk.

Governors **resolved** to **approve** the Chair's Actions.

49.21 FINANCE REPORT TO FEBRUARY 2021

The Director of Finance & MIS presented his report, which covered the financial position to February 2021. Governors had been advised in January that the impact of Covid-19 would have an adverse effect on the budget. Governors would be requested to approve a revised budget and to consider the proposal for a pay award.

The Director of Finance & Mis commented on factors affecting the 2020/21 budget:

- Trading conditions generally had been more difficult due to the complexities resulting from Covid-19 and the way in which provision had been affected;
- The impact on the adult market was particularly challenging to manage. ESFA had announced a 90% budget threshold for the year. This was the nationally set figure. In pre Covid years the tolerance level had been 97% with funding up to 103%. For 2019/20, the tolerance had been much lower, at 68%. This year's decision was expected to have far reaching consequences for some colleges. At Walsall, being in the WMCA area, where adult funding was devolved, it was possible that the 90% level set by ESFA would not be followed;

There was a discussion about how the WMCA may choose to fund adult contracts this year. The Principal was confident that the college had worked hard to deliver its adult contracts and had positive relationships with both ESFA and WMCA. Not all local colleges were in this fortunate position. It was hoped that the final AEB position would be clearer later in the week.

The implications for the wider sector were also considered. It appeared that there were ongoing discussions between DfE and Treasury about FE funding. FE was expected to be a key part of the post Covid recovery, but needed additional funding. The AOC President had set up a petition to gain support for more sector funding.

The Director of Finance & MIS was confident of achieving 90% of the adult contract, however new learner demand after Easter remained uncertain. There was confidence in the forecast activity until the end of the year.

The Principal noted that the college's annual conversation with ESFA would be taking place in May, and would be an opportunity to raise concerns about adult budgets.

Governors noted the ESFA and WMCA likely position on adult funding in light of Covid-19, but did not expect fully funding colleges that had not met their targets to be a future strategy, even if it was felt necessary in some cases for 2020/21.

- There was pressure on High Needs funding as costs continued to be incurred even if students were not in college;
- FE loan income was down;
- HE income was down as the original budget had included a new intake at LCCA in October 2020 that had not subsequently gone ahead;
- There was a proposal for a universal pay award of 1% with effect from 1 June 2021. The usual pay award date was 1 February, but this had been deferred due to the uncertainties arising from the ongoing impacts of Covid-19 at the time. Pay award proposals were always made based on affordability;

Governors discussed the pay award proposal and asked what the financial impact would be. It was confirmed that 1% equated to £280k for a full year, but introducing it in June 2021 would mean £50k for 2020/21. This was in addition to the annual increments to which some teaching staff were contractually entitled. The value of the increments was a further £250k. However, the increments payable were starting to reduce as more staff reached the top of their pay scale.

It was agreed that the college should reflect on the hard work of staff. Staffing in the FE sector was at significant risk where pay levels could not keep pace with inflation or with levels in schools. Affordability was also a factor as funding fell short of inflation rates.

The Chair summarised the requests for approval, which were for a revised deficit budget of £1,287k and a universal pay award of 1%.

Governors **resolved to recommend** the revised budget and the pay award proposal for Corporation approval.

It was confirmed that there were no questions or comments on the management accounts provided as part of the written report.

Governors **resolved** to receive the Finance Report to February 2021.

50.21 APPRENTICESHIPS AND COMMERCIAL REPORT

The Assistant Principal Commercial Development presented his report, which gave an update on College sub-contractor activity for Apprenticeships and Adult Education Budget (AEB). An approval was requested for a change to a subcontractor contract, but this had already been covered under Chair's Actions earlier in the meeting. It was confirmed that WMCA approval to the change had been sought and obtained.

The written report summarised the subcontractor performance against contract activity. There were no quality concerns with subcontractors. The report also gave an overview of Apprenticeship start activity for Quarters 1 to 3 in 2020/21 and the financial forecast for Apprenticeship activity to year end. At this point of the year performance was in line with budget.

There was a discussion about apprenticeship recruitment. There had been a national decline in starts of 37%, although this was not mirrored in Walsall. Broadly speaking, recruitment had been good in quarter 1, much more difficult in quarter 2 and was picking up again in quarter 3. It was particularly challenging in engineering and automotive.

Governors were asked to note the inclusion of the recently published document 'Role of those charged with governance in sub-contracting'. The Assistant Principal had highlighted some of the key aspects and provided the college response for Governors to note.

Comments and questions were invited.

A Governor commented on the value of subcontracting and the need to make clear that this was done in areas where it could significantly improve the experience of the learners and enhance the overall offer of the college. It was noted that this would be in the strategy document that was planned for presentation at the next committee meeting. Apprenticeships would also be a focus at the next Governor Training event on 14 June, and this would help to improve the understanding of the area for all Governors, not just those who were part of this committee or Learning and Quality Committee.

The Principal noted some historical issues on subcontracting which dated back many years, plus the inherent risks in the area, which meant that Governors retained an appropriately sharp focus on it. Governors needed to be assured that there was capacity to deliver high quality provision. However, he was confident that the area was well managed.

Returning to his report, the Assistant Principal outlined the collaborative work being done in the region to prepare a bid for the UK Community Renewal Fund. This would focus on the logistics sector for the Black Country and Staffordshire. Given the high levels of interest in accessing this funding, it was possible that the bid would be unsuccessful, but if that was the case alternative funding for the project through WMCA would be sought.

Governors noted current progress at Construction College Midlands (CCM). Commercial activity was ahead of plan. Further management meetings were planned to develop financial reporting. The Director of Commercial Projects

was now the Exec lead for this area. It was noted that CITB were re-introducing residential activities for apprentices, and this may add a further element of work to CCM in future. The Head of Finance outlined the financial status of CCM as set out on page 25 of the management accounts. Tuition fees of around £500k were expected based on current activities.

Governors **resolved** to receive the Apprenticeships and Commercial Report.

51.21 BUDGET SETTING UPDATE 2021/22

The Director of Finance & MIS explained that the 2021/22 curriculum planning and budget process had been somewhat disrupted by the Covid-19 situation. However, the current draft had a clear line of sight to achieve the high-level budget objectives for 2021/22 with staff costs as a percentage of income below 70% and EBITDA of 7.74%.

Most income lines had now been confirmed. The AEB element had yet to be confirmed but for now was being assumed to remain the same. Tuition funding was not yet known, and again assumed to be similar to this year's allocation. Overall, funding streams were becoming increasingly complex, as there were many available but with various conditions to be met.

The written paper showed the actual outturns for 2017/18, 2018/19 and 2019/20, plus the forecast outturn for 2020/21 and the current estimate for 2022/23.

The impact of T Level funding was explained and the risks to future recruitment of 16-18 students were discussed.

A key objective was to keep staff costs to below 70% of turnover. This was not achievable in every area of the college for various reasons. Governors noted that this was above the FE Commissioner's benchmark of 65%, although this was now several years old. The staffing re-structure was ongoing and would not be implemented until 1 August 2021. The financial implications of this were not yet finalised.

Looking ahead to 2022/23, Governors were advised that the financial position was far less certain. This was due to a combination of factors such as risks around T Level and 16-18 recruitment, subcontracting, staff cost inflation, pension costs and unknown WMCA AEB allocations. However, to offset some of these risks, it was hoped to grow provision at CCM and in community learning.

The final draft of the budget would be brought back to the next committee meeting in June 2021.

Questions and comments were invited.

Governors acknowledged the complexities of the current situation and the impact of Covid-19 on college operations. It was noted that staff costs were almost 70% of turnover and it was questioned whether this was expected to be the new level. The management team felt that it was. There were ongoing discussions about the need to invest to regain the Ofsted outstanding rating, and staffing was key to this.

A Governor commented on the vulnerability of the college to variations in revenue streams, which was a key risk, and how this may impact on the college's Ofsted ambitions.

Recruitment of 16-18 students was considered. Demographic data did not show higher numbers of potential students in the age group. What was unclear was the extent to which T Levels would attract students that may have previously studied elsewhere, compared to those who would have enrolled at college anyway, but on a different qualification.

A Governor suggested that further consideration be given to the HE offer, as post Covid-19 more students may decide to study closer to home, and therefore demand may be higher.

The Principal reflected on areas for consideration when planning for 2022/23. A longer-term view of the priorities for quality, finance and people was needed, with an even sharper focus on finance. Apprenticeship growth and HE provision needed review.

The Chair asked that the following be considered when the final draft budget was being prepared:

- More detail on the longer-term financial positions for 2022/23 and 2023/24;
- Reflections on previous strategic discussions and their impacts on offsetting the risks;
- Inclusion of separate analysis of the impact of CCM;
- Segmentation of areas of the business in terms of contribution;
- The difference that would be made by the expansion of Green Lane and the move into markets in Cannock.

Director of
Finance &
MIS

Governors **resolved** to **accept** the 2021/22 budget update.

52.21 CAPITAL PROJECTS UPDATE

The Director of Finance & MIS referred to his written report, which showed current expenditure against the annual capital budget of £750k and expenditure and commitments on current external funded capital projects. There were several live projects to be completed before year end.

Governors **resolved** to **receive** the Capital Projects Update report.

53.21 FINANCE POLICY APPROVALS – FEES POLICY

The Head of Finance referred to her report, which sought approval for the updated Fees Policy. The key changes were noted. Formal funding guidance from ESFA and WMCA for 2021/22 had yet to be received, but if there were any significant changes the policy would be brought back to a future meeting.

Governors **resolved** to **approve** the Fees Policy.

54.21 DATE OF NEXT MEETING

It was **resolved** that the next meeting would be held on Tuesday 23 June 2021 at 0930 hrs

The meeting ended at 1140 hrs.

How Governors challenged management		Impact of meeting on College	
49.21	Asked about the financial impact of the proposed pay award.	48.21	Approved Chair's Actions.
51.21	Questioned whether staffing costs of 70% of turnover were expected to be the new level.	49.21	Recommended revised budget and proposed pay award for Corporation approval.
51.21	Asked for several issues to be specifically considered and included in the final draft budget.	53.21	Approved the Fees Policy.