WALSALL COLLEGE MINUTES OF A MEETING OF THE FINANCE & RESOURCES COMMITTEE
HELD ON TUESDAY 2 MAY 2023 AT 1000 HRS
VENUE: A339 (BOARDROOM, WISEMORE CAMPUS)

Attendance Present:	Attendees
	Dave Wheeler - Chair Jat Sharma - Principal Stuart Pedley-Smith (on Teams) Tony Sadla
Together with:	Richard Brennan - Assistant Principal Curriculum & Quality Matthew Brown - Director of Finance & MIS Jacky Leek - Head of Finance James Norris - Assistant Principal Commercial Development Lesley Venables - Interim Head of Governance
Apologies:	None

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44.23	CHAIR'S OPENING REMARKS The Chair introduced all attendees and summarised the main purposes of the meeting.	
45.23	APOLOGIES FOR ABSENCE There were no apologies for absence.	
46.23	DECLARATIONS OF INTEREST There were no declarations of interest in respect of any agenda items.	
47.23	MINUTES **Resolved** – That the minutes of the meeting held on 21st February 2023 be approved as a correct record and signed by the Chair.	
48.23	MATTERS ARISING Governors received the Action Points Record and noted that all items had either been completed or were featured on the agenda. In respect of minutes 41.23 and 42.23 the Director of Finance & MIS reported that these items would be concluded by the next meeting.	
49.23	CHAIR'S ACTIONS The Assistant Principal (Commercial Development) advised that the Chair had approved £99.5K of additional sub-contracting provision since the previous meeting, as this was time critical and would contribute to the achievement of the College's overall Adult Education Budget target.	
50.23	FINANCE REPORT TO MARCH 2023 The Director of Finance & MIS presented a report on the College's financial position to 31st March 2023. The Management Accounts indicated that the College was on track to achieve its budgeted position, but this was a finely-balanced situation. Costs were in line with expectations, however, current income levels for AEB, apprenticeships and higher education were causing some concern. The	

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	College's contract for AEB (from both the ESFA and Combined Authority strands) and apprenticeships was for £4.2 to £4.4m. The ESFA had set a delivery threshold of 97% which had to be met to avoid any clawback of funds. Governors noted that the equivalent figure for the CA had been 95% in 2021/2022 and the College had been permitted to carry over 5% of this provision to be delivered in 2022/2023. In effect, this meant that the College would need to achieve 105% of its target which was felt to be unrealistic in the current market. Management was currently assessing how much of the original target could be delivered prior to the 2022/2023 year end and the likely amount of any clawback (estimated at £350K for the CA contract). Governors were also reminded that any under-delivery by the College would lead to a lower contract figure for 2023/2024. In response to questions about the scale of any clawback the Director of Finance & MIS reported that the College would achieve at or over 90% of its contract value, but the final 2-3% was proving difficult. This was partly due to the increasing complexity of the funding streams relating to each learner and due to delays in activity in the early part of the academic year. There had been a gap in the plan of approximately £0.5m and significant staff shortages in some key areas, which had hampered delivery. The Assistant Principal Curriculum & Quality reported that the College had not actively recruited on programmes that offered maximum flexibility, such as the health professionals course, AAT and high level Construction courses. Governors queried which areas needed to be marketed more strongly to achieve the overall target. Management responded that the situation was complicated by the multiplicity of products for adults, compared to 16-18 year olds where funding was more certain and straightforward. If the College was forced to achieve the 105% of the target discussed earlier this could have a significant negative impact on staffing, learner numbers, utilisation and efficiency levels across the organisation. The Director of Finance & MIS commented that it was possible for some learners to switch to AEB, as this provided a more flexible solution. However, it was uncertain as to whether the individual students would need to pay back their learner loans in these circumstances and how this would be perceived by the regulators. In response to questions on the timing of any potential clawback the Director of Finance & MIS reported that the Combined Authority was likely to require the return of £360K by October/November 2023, following an assessment and challenge process. This amount related to the carry-in to the 2022/2023 academic year and had not been assumed in the budget, hence there was no financial impact and the College had not, in effect, delivered any of this provision. Non-pay and staffing costs in the management accounts were on profile. The College's financial health was still projected as 'Good' at the end of the year and its cash balances were healthy.	

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	It was felt that the best case scenario was for an operating deficit of £995K by the year end, but this figure could change over the next few months. It was noted that the College's position was not unique within the further education sector, however, it was unusual in its reluctance to maximise other funding streams, prioritising the use of AEB, which would impact on the amount of learner loans. It was felt that if employers were able to obtain Government funding for courses then this should be offered to them, which also meant that the College could contribute to the CA's strategic objectives. Recruitment of programmes such as Maths and English took place throughout the year and were difficult to predict in advance. It was also noted that any gaps in recruitment on longer courses could not be mitigated by offering more shorter programmes, as the funding rates and start dates were different. The College had sufficient learners to deliver its £7m contract but was currently reviewing its provision, as the CA was limiting certain types of courses such as English for Speakers of Other Languages and distance learning (which in previous years amounted to 10% of the College's AEB delivery). The CA wanted colleges to focus on qualifications at Level 3 and above, priority sector courses of greater length, which would impact on the job market and the level of professional skills within the local workforce. However, the College's capacity to deliver such programmes was limited and the majority of its current provision (98%) was at Level 2 and below. The Principal commented that it was vital to achieve the 97% delivery threshold if at all possible and the overall business model needed to change, in line with previous discussions with the Board. The quality of provision was excellent, but the framework within which the College operated was complex and challenging. The conversion rate of course enquiries from local residents to actual enrolments was low, particularly on courses linked to the Department of Work & Pensions pre-employment schemes. Government funding was now becoming more reflective of job outcomes, but there was a disconnect with the provision offered by the College. There was also a close link between dealing with individuals' housing and health needs to enable them to progress to sustainable employment post-qualification. A new target against which the College would be measured was for 65% of learners to achieve a pay rise or a promotion. Governors questioned whether there were any staffing issues associated with delivery in the current year. The Assistant Principal Curriculum & Quality agreed that some staff were reluctant to recruit students to courses for which no tutor was yet in place. There were also some industrial disputes with technicians in relation to their role and level of pay and with lecturing staff regarding the amount of time they could work off-campus. The flexibility needed by the business resulted from the staff who were currently severely stretched due to the additional pastoral and mental health demands of 16-18s in particular. In some areas the College was locked into	

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	established patterns of delivery, whereas greater flexibility of programmes was necessary to meet learner and employer expectations. The Committee noted that non-pay expenditure for the Construction College Midlands was higher than the agreed budget but income levels were below the projections due to increased maintenance costs and how these were prioritised between academic years. Losses continued in relation to the College's commercial activities and the structure of the Gateway was being reviewed for 2023/2024 to support greater flexibility.	
51.23	BUDGET SETTING 2023/24 The Director of Finance & MIS gave a brief overview of the aims of the budget process to date for 2023/24. These included: • EBITDA of at least 5%; • Income £44m (based on £5m apprenticeships and full contract value) • Staffing costs at 69.5% or less; • Average class sizes of at least 17; • Apprenticeships income between £4.2 and £4,4m; • Investment of around £1.5m in resources; • Outstanding financial health. The budget-setting approach was unchanged from the previous year, with the 'top down' element completed with respect to the priorities and the 'bottom up' element still being finalised. Currently there was a £1.5m deficit, which was being re-worked. This was exacerbated by the issues on AEB discussed earlier and the draft budget included an assumption that the 97% delivery threshold would not be met. A number of pressure points had been identified, namely a potential shortfall in 16-18 funding (£0.5m to £1m), retention issues, a reduction in the disadvantage uplift (£0.5m) and a lower Capacity Delivery Fund allocation (£300k). If the College did not achieve its overall income target there would be a surplus of staffing compared to delivery. Higher education programmes had under-recruited in 2022/2023 and were expensive to resource. A high proportion of the non-pay inflationary costs faced by the College had been mitigated, however, this could not be sustained in the long-term. Currently no pay award had been included in the draft budget due to affordability. Measures that were being reviewed to improve the situation included larger group sizes and increasing the staffing complement to enable teaching of more classes. Pastoral and safeguarding resourcing requests needed to be built in, together with any capital projects. The Director of Finance & MIS reported that the impact on future years was dependent on whether the ESFA and the CA increased the funding allocation rates in 2023/2024. A governor commented that in the past the Board had been recommended to make strategic decisions that would benefit the profitability of the College.	

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One such example was the CCM scaffolding facility enrolments which at the start of its operation were buoyant.

Management was asked whether any growth had been included in the budget for the CCM facility and the Director of Finance & MIS reported that the original budget for the CCM had included a contribution rate of 30% and a £700K surplus after all site costs. However, for 2022/2023 the actual contribution rate was 2.5% currently, which was projected to increase to 19% by the end of the financial year, equating to a surplus of £319K.

The Assistant Principal Commercial Development advised that 2 additional groups of apprentices had been included in the curriculum plan for the CCM, but it was too early to determine the uptake. The need for high quality provision and more efficient utilisation meant that CCM was not performing as well as predicted. Additionally, the previous growth in the construction industry was showing signs of receding. It was felt that once the Green Lane facility was operational in September/October 2023 the situation should improve, including offering part-time, part-year and evening programmes. The 2023/2024 academic year would be critical but could be difficult in terms of financial and curriculum performance.

Governors were reminded of the changes in student behaviour that had occurred post-COVID19, which had also affected retention and individual resilience. The end point assessment model of delivery impacted on achievement levels as it placed a high degree of pressure on students to be successful in examinations. Staff were wary of enrolling some students on programmes for which they may not be entirely suited, especially as the lagged funding model then impacted the College further in the next academic year.

In summary, the main issues for the budget for 2023/2024 were income levels, staffing costs, learner demand and inflationary pressures. The quality of the student experience was paramount and was not affected by any of these. The College was maximising the use of bursary funding to support students.

Dir of Fin & MIS

A final draft of the budget would be submitted for recommendation to the Committee's next meeting (June). Governors requested that options for cost-saving measures should be included in the report (for example, conserving cash, putting capital projects on hold, increasing commercial activities and withdrawal from HE provision). The latter would be difficult as most staff also taught on programmes other than HE and the College could not replace any lost income with alternative provision. This area also provided good progression routes to higher level courses which were a valuable part of the College's profile.

52.23 APPRENTICESHIPS AND WORKBASED REPORT

The Assistant Principal Commercial Development presented a report on sub-contractor performance, internal apprenticeship performance including year to date recruitment and out of funding, bids update and Construction College Midlands.

There were no quality concerns with subcontractor performance for the year to date. Additional work with Embark had been identified within the agreed

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	contract value, but approval was still awaited from the Combined Authority. This provision met the CA's strategic priorities and would incur a management fee of 18%;	
	An additional £99.5k for the Learning Curve had been approved under Chair's action (reported under an earlier agenda item).	
	Staff activity was focusing on reducing the number of Out of Funding apprentices. Overall success rates were predicted to improve for 2022/2023.	
	Bids were in development, but were dependent on partner activity, such as the DWP. A proposal for the expansion of the Digital Bootcamp was being prepared for 2023/2024.	
	The funding audit commissioned by the ESFA and undertaken by PWC had been completed, but feedback and the draft report had not yet been received. Governors noted that a number of internal controls had already been updated prior to the audit. It was likely that there would be some clawback, for which a provision had been included in the accounts. The audit report would be presented at the next Audit Committee meeting.	**Dir of Fin & MIS**
53.23	**RESOURCES REPORT** The Director of Operations & Resources presented an update report on resources.	
	Governors were informed that the Green Lane Construction Skills Academy project was progressing in line with the agreed plan. A claim had been submitted to the local authority and should be completed over the next few days. Planning permission for electric vehicle charging points had been applied for.	
	The Committee agreed that discussions should be explored with the local authority for the College to assume responsibility for the whole of the Broadway Building.	**Director of Ops & Resources**
	It was agreed that the Corporation should be asked to approve the formation of a Capital Projects Working Group to oversee all current and future capital developments. The Interim Head of Governance reported that terms of reference had been drafted and would be submitted to the Corporation for approval on 23rd May.	**Interim Head of Governance**
	Governors were advised that the Chair and Vice-Chair had approved contracts for utilities and service costs under the Chair's action facility.	
	The contracts for cleaning and security services were currently being re-tendered. As part of the process the Director of Resources recommended that any employees of the successful bidder should be paid the Real Living Wage with effect from 1st August 2024. The contract for 2022/2023 enabled it to be varied to pay the RLW. The Committee asked that Principal and the Directors of Finance and Resources address the payment of the RLW to all cleaning staff with immediate effect.	**Principal/ Director of Resources Director of Finance**

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	Resolved: 1. That the Corporation be recommended to approve the commencement of discussions with the local authority over the use of the Broadway Building. 2. That the Corporation be recommended to approve the draft terms of reference for the Capital Projects Working Group. 3. That the contract for the re-tendering of the College's cleaning services should include an expectation that any staff would be paid the Real Living Wage. 4. That proposals for the payment of the RLW to the contracted cleaning staff be submitted to the next meeting.	
54.23	HUMAN RESOURCES REPORT	
	The Head of HR presented a report on current issues, including turnover, sickness absence and disciplinary/grievance cases.	
	A total of 11 FTEs had left the College since the previous meeting (February 2023), making a total of 92 for the year to date, with the main reasons given as personal, travelling distance and lack of flexible working arrangements. The national average staff turnover figure collated by the Association of Colleges was 17.8% compared to 11% at Walsall College.	
	There were currently 62 vacancies across all grades and areas of the College and it was noted that recruitment remained difficult, with a number of posts advertised three times without success.	
	The Director of Finance & MIS reported that an element of hybrid working was expected by some staff post-COVID19 and this was being discussed across the organisation with a view to a pilot project being undertaken. A cross-College forum had been established to review staff engagement, well-being and issues such as hybrid working. At the previous Board meeting one of the staff governors had provided informal feedback from staff and it was agreed that this individual should be asked whether any concerns had now been dealt with.	**Principal/ Head of HR to report to Chair**
	The overall sickness absence rate for the year to date was 4.14%, with 42.2% attributable to long-term and 57.8% due to short-term sickness, compared to a full year figure of 6.44% for 2021/2022.	
	The College was participating in a survey of 45 colleges nationally, feedback from which would shape future activities. Staff networks were being used increasingly to drive forward priorities such as Equality, Diversity & Inclusion. The College was now a member of the Black Leadership Group and had adopted its 10-point plan. EDI was also a key part of the induction process, to which all governors were invited.	
	The Head of HR presented a summary of the College's Gender Pay Gap report. The mean gap was 14.4% and the median was 16.3%, compared to 14.5% and 18.7% in 2021.	
	Governors also received the Ethnicity Pay Gap report for 2022, for which the mean figure was -4.21% and the median 0%, compared to 2.3% nationally.	**Interim Head of Governance**

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	The Interim Head of Governance advised that guidance had recently been published by the Department for Education as to how EDI information could be presented.	to forward guidance
55.23	POLICIES	
	The Head of Finance presented an updated policy on Tuition Fees and an amended set of Financial Regulations. The latter had been reviewed in light of the reclassification of FE colleges by the Office for National Statistics and to take account of a number of guidance notes that had been issued recently by the DfE.	
	Resolved: 1. That the revised policy on Tuition Fees be approved. 2. That the Corporation be recommended to approve the updated Financial Regulations.	
56.23	DATE OF NEXT MEETING It was **resolved** that the next meeting would be held on Tuesday 20th June 2023.	
	The Chair thanked staff for their reports and made final comments relating to the current financial position and budget-setting challenges and the need for the Committee to continue to monitor and question performance.	

Item	How governors challenged management

Item	Impact of meeting on college