WALSALL COLLEGE MINUTES OF A MEETING OF THE FINANCE & RESOURCES COMMITTEE HELD ON TUESDAY 20 JUNE 2023 AT 1000 HRS
VENUE: A339 (BOARDROOM, WISEMORE CAMPUS)

Attendance Present:	Attendees Dave Wheeler - Chair Jat Sharma - Principal Stuart Pedley-Smith
Together with:	Matthew Brown - Director of Finance & MIS Jacky Leek - Head of Finance James Norris - Assistant Principal Commercial Development (minutes 63.23.15 to 64.23.9) Natalie Priest - Head of Human Resources (minutes 65.23 to 66.23) Deb Rajania - Director of Operations & Resources (minutes 65.23 to 66.23) Lesley Venables - Interim Head of Governance
Apologies:	Tony Sadla Nelson Tanyanyiwa

Item	Subject	Who
57.23	CHAIR'S OPENING REMARKS The Chair introduced all attendees and summarised the main purposes of the meeting.	
58.23	APOLOGIES Apologies for absence were received from Tony Sadla and Nelson Tanyanyiwa.	
59.23	DECLARATIONS OF INTEREST There were no declarations of interest in respect of any agenda items.	
60.23	MINUTES **Resolved** – That the minutes of the meeting held on 2nd May 2023 be approved as a correct record and signed by the Chair.	
	MATTERS ARISING	
61.23.1	Governors received a progress report on the actions identified at the previous meeting and noted that all items had either been completed or were featured on the agenda.	
61.23.2	In respect of minute 41.23 the Director of Finance & MIS reported that these items would be concluded by the next meeting. Discussions on future commercial activities were ongoing, but it was not proposed to initiate any significant changes in strategy at this point (minute 42.23).	
61.23.3	The Capital Projects Working Group established by the Corporation would be meeting shortly.	
62.23	CHAIR'S ACTIONS None since the previous Committee meeting.	
	FINANCE REPORT TO APRIL 2023	
63.23.1	The Director of Finance & MIS presented a report on the College's financial position to 30th April 2023.	

Item	Subject	Who
62.23.2	The Management Accounts projected an accounting deficit of £773k (compared to £634k in March 2023) and against a budgeted position of a £515k deficit. The current forecast for the year end position was a deficit of £995k, which is £309k worse than budget but in line with the additional expenditure approved by the Board for the 2023 pay review.	
62.23.3	Achievement of the apprenticeships targets continued to be an area of concern for the remainder of the year. The Adult Education Budget performance was now on track following the application of the 10% funding uplift and additional subcontractor activity being approved by the ESFA and WMCA. Full cost courses were being impacted by a 'slump' in the construction industry,	
62.23.4	The Committee was advised that the College remained in theoretical breach of part of its bank covenant (Debt Service Cover). This was an unintended consequence of the way in which the covenant is being applied post FRS102, with the College spending accumulated reserves on capital projects. The Director of Finance & MIS reported that this had been proactively raised with Barclays and was not expected to be an issue.	
62.23.5	The College's Financial Health Rating at the end of April was assessed as "Good", with an adjusted EBITDA of 3.83% (7.52% prior year outturn), cash balances of £16.8m (compared to £15.1m in March) and net assets of £58.9m (£59m last month) excluding the pension liability of £15.1m	
62.23.6	Although apprenticeships income was on target (£4.2m), but the sign-up process had not been as smooth as anticipated and was a potential risk to the College. Full cost income had reduced due to the external economic environment.	
62.23.7	Costs were being tightly controlled including any potential overspending on maintenance items across the organisation. It would be vital to maintain this discipline throughout 2023/2024 and there would be an opportunity to reduce utility costs prior to the end of the current contracts in March 2024.	
62.23.8	The Head of Finance reported that a proportion of End Point Assessments had not yet been carried out and the College was endeavouring to put these students through the Gateway to improve its overall achievement figure. Staff would be reviewing all core and apprenticeship achievements to ensure that the data submitted to the ESFA was as 'clean' as possible. In response to questions about the sufficiency of resourcing in this area the Director of Finance & MIS reported that delays were still possible in certain areas of provision.	
62.23.8	A governor commented that the College's deficit had worsened by £150K between March and April, which if repeated over the next 3 months would be a sizeable gap in funding. The Committee was advised that income was only recognised in the management accounts when its receipt was certain. Currently, there was underperformance in income generation and fewer learners being enrolled at this point in the annual cycle. However, management was confident that the revised budget would be achieved.	
62.23.9	In previous years the College had brought forward some costs at this point or pushed them into the next academic year. This was not the intention for 2023/2024. It was felt that the flexibilities within the funding mechanisms, particularly for AEB, had not yet been maximised.	

Item	Subject	Who
62.23.10	Governors asked how confident the management team was about achieving the year-end position (deficit of £995K) for 2022/2023. The Director of Finance & MIS responded that this was dependent on the number of EPAs that could be undertaken prior to the end of the year, maintaining current levels of pay and non-pay expenditure and increasing sub-contracting provision.	
62.23.11	A governor commented that apprenticeships were a complex funding stream, carrying significant risks which were not necessarily reflected in the income level generated and comprised the largest variation in the budget. The Principal reported nationally only about 50% of enrolled apprentices achieved their qualification and the College was on track to exceed this. Recent Ofsted reports had highlighted concerns in relation to the poor levels of apprenticeship achievement nationally. The Government was aware of the issues in the sector but had yet to address them effectively.	
62.23.12	It was agreed that the risks around apprenticeships, together with any mitigations, would be included in the risk register. The apprenticeship team had been strengthened to ensure compliance with the complex funding rules and it was important to balance this with providing high quality education and training. Improved sign-posting for apprentices would be in place for 2023/2024 and there was now a clear alignment with the sales team.	Dir of Fin/AP Comm
62.23.13	The requirements under the new Accountability Statement to meet the skills needs of the local area put additional pressure on other delivery mechanisms. Guidance on acceptable levels of EBITDA had not yet been issued by the ESFA and the current FE funding model meant that income was high risk in some areas, against a background of increasing costs and additional regulations with which to comply (such as the reclassification to the public sector).	
62.23.14	It was agreed that the risk profile of the College's HE provision would be reviewed.	Dir of Fin/AP Q&HE
	BUDGET 2023/2024 & FINANCIAL FORECAST FOR 2023/24– 2025/26	
63.23.1	The Head of Finance presented the draft budget for 2023/24 and 3-Year Financial Forecast.	
63.23.2	A decision had been made previously by the Committee to suspend the existing EBITDA target exceeding 10% by July 2025 due to current inflationary pressures and lower student numbers in 2022/2023. The proposed revised target for 2023/2024 was now 5%. It was suggested that full year forecasts based upon actual figures would be produced for the October and November Committee meetings to improve governance oversight even further.	Dir of Fin & MIS/Head of Finance
63.23.3	Governors noted that the decision on whether to give staff a pay award for 2023/2024 would take place in January and was likely to need funding from a reduction in the EBITDA percentage.	
63.23.4	The draft budget was based on a number of assumptions: • a reduction of 16-18 student numbers, lower funding levels for T-Levels, retention and the disadvantage uplift • reduced industry placement funding • 100% of the WMCA contract value exceeded but a diminishing offer of loans and full cost FE provision.	

Item	Subject	Who
	• £5.1m apprenticeship target • Lower activity on HE programmes • Robust pay and non-pay expenditure controls • Improvement in staff utilisation and more holistic approach to timetabling	
63.23.5	The projected deficit for 2023/2024 was £1.527m, with an EBITDA figure of 4.26% and a relatively high pay to income percentage.	
63.23.6	It was felt that staffing utilisation needed to improve. Currently HE represented a small amount of provision that made a negative contribution to the College overall, which could be replaced with more profitable funding streams.	
63.23.7	The Head of Finance reported that the amount of depreciation in the budget may exceed £995K as a result of previous decisions on the accounting methodology. It was agreed that further work would be carried out on this and reported to the next Committee meeting.	Dir of Fin & MIS/Head of Fin
63.23.8	The College would have a slightly smaller cohort of students in 2023/2024, with retention levels in 2022/2023 lower than in previous years and a reduction in the disadvantage premium. These and other factors would be challenging in 2023/2024 but were predicted to level out and improve in 2024/2025, including higher student numbers and a funding settlement of 2-3%. The budget for 2023/2024 would need to be tightly controlled and income would only be recognised when it was received. Some items of expenditure that had been requested by staff had not yet been costed, as further efficiencies and improvements in utilisation were necessary.	
63.23.9	In September/October 2023 the College would have a clearer picture of 16-18 enrolments, confirmation of the AEB funding and utilisation levels. Apprenticeship income was projected at £5m (an increase of £0.8m on 2022/2023).	
63.23.10	Previously the EBITDA target was 5%, however, this was now projected as 4.26%, based on an average class size of 17, £1.5m capital expenditure in each year and remaining in 'Good' financial health. There had been a significant overspend on maintenance in 2022/203 due to bringing some parts of the College's accommodation up to the required standard. Student experience resourcing levels had been maintained for 2023/2024.	
63.23.11	It was agreed that the budget would be reviewed prior to December to take account of any variations in student enrolments and income and expenditure levels. Higher education and the viability of the College's commercial activities were a concern currently. A revised Financial Strategy was due to be prepared in 2024, which needed to reflect the different external environment and greater levels of uncertainty and risk. Governors noted that no pay award had been included yet in the draft budget and any such increase would need to be financed by higher levels of income or a reduction in the EBITDA figure.	Dir of Fin & MIS/Head of Fin
63.23.12	The Committee commented that the draft budget represented a difficult period over the next few years, with deficits projected and EBITDA increasing. It would not be appropriate to assume that the College could grow its way out of the situation or depend on its cash reserves. The current external inflationary environment was not reflected in the ESFA funding allocation.	

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63.23.13	Management responded that recent discussions at national level indicated that colleges would be expected to spend their accumulated reserves prior to any additional funding being awarded by the DfE. Teaching costs were increasing each year, together with the 'wrap-around' care and support required by students to enable them to achieve their chosen qualification. The introduction of the Accountability Agreement added to the College's delivery pressures and the devolution landscape provided further funding and regulatory complications.	
63.23.14	The Committee requested that the wider context of the budget should be shared with the rest of the Board, including the 70% pay to income ratio and deficits projected for several years. The Financial Strategy needed to be revisited as it no longer reflected the reality of inflationary impacts in the short to medium term. **James Norris joined the meeting.**	Dir of Fin & MIS
63.23.15	The Chair commented that the Corporation had approved a number of significant capital projects with positive returns in line with proposed business cases. The financial situation had been exacerbated by poor levels of retention in 2021/2022 (partly with the Teacher Assessed Grades of new students resulting from COVID-19).	
63.23.16	Demographic trends for the next 2-3 years projected a similar sized cohort of 16-18 learners as 2022/2023 and competition levels would increase. The College's current market share locally was 34% and management felt that this could be increased by offering a full range of A Levels.	
63.23.17	It was important to evidence the cash position reducing due to the investment the College had made in its estate. Performance at CCM was currently a concern but was on track to improve by the year end. Governors requested that student number projections and variations in cash reserves should be included in the final version of the budget that was presented to the Corporation in July. The Green Lane project would not impact on the budget and learner numbers immediately due to the ESFA's lagged funding model. However, in 2024/2025 there would be space for an additional 100 16-18s.	Dir of Fin & MIS
63.23.18	The Director of Finance & MIS reported that any cost savings initiated at this point would take considerable time to impact on performance. Reductions in staffing would impact adversely on quality and compromise the College's ability to meet local skills needs. The budget had been prepared on the basis of 'best estimates' for items such as future funding settlements and staff pay increases, as these had not yet been determined nationally, and an EBITDA of between 4-5%.	
63.23.19	**Resolved:** 1. That the Corporation be recommended to approve the draft Budget for 2023/2024. 2. That a budget update be presented to the Corporation's October & November meetings. 3. That the 3 Year Financial Strategy be reviewed and re-drafted for discussion by the Committee at its March 2024 meeting.	

Item	Subject	Who
	APPRENTICESHIPS AND WORKBASED LEARNING	
64.23.1	The Assistant Principal Commercial Development presented a report on sub-contracting, internal apprenticeships, out of funding, students and the Construction College Midlands.	
64.23.2	There were no quality concerns with subcontractor performance for the year to date. The additional distance learning provision sub-contracted to Learning Curve was expected to commence shortly, with 145 students awaiting enrolment.	
64.23.3	Overall, the financial position at the year end was projected to meet the target of £4.2m, however, it was noted that some recruitment had still to take place. Enrolments had increased in May, with additional groups established to maximise the figure for 2022/2023 and any carry-in for 2023/2024. There were currently 75 apprenticeship vacancies to fill and 60 students in progress.	
64.23.4	An analysis of staff utilisation (particularly in Construction) had been undertaken, which had identified further opportunities for apprenticeship starts within the curriculum plan. Although the number of out of funded (OOF) apprentices had increased slightly since the last report (15% to 19%) governors were advised that this was due to delays in End Point Assessments which had now been arranged. The College had benchmarked its performance in this area and was not graded as a high risk provider.	
64.23.5	A governor asked whether technical apprenticeship recruitment was increasing and was advised that the majority of these programmes were higher apprenticeships, the employment market for which was uncertain in the locality. The Local Skills Improvement Plan had highlighted that employers were seeking to upskill their workers with bite-size digital and IT programmes, rather than full apprenticeships.	
64.23.6	It was noted that 3EEs had almost achieved their contract value and would be delaying any late June/July starts until August 2023. Any decision on potential in-year growth would be made following the R10 ILR return. The Combined Authority had approved the growth case for Embark and a revised contract had been issued.	
64.23.7	Proposals for sub-contracting provision for 2023/2024 were submitted for recommendation by the Corporation and were in line with contracts issued for 2022/2023.	
64.23.8	An updated Sub-contractor Policy and Partnership Strategy for 2023/2024 was presented, with no significant changes proposed.	
64.23.9	**Resolved:** 1. That the Corporation be recommended to approve sub-contracting provision contracts for 2023/2024 as outlined in the report. 2. That the Corporation be recommended to approved the revised Sub-contracting Policy & Partnership Strategy for 2023/2024 **James Norris left the meeting.**	

Item	Subject	Who
65.23	RESOURCES REPORT	
65.23.1	The Director of Operations & Resources presented a report on resourcing issues since the May 2023 meeting.	
65.23.2	The Green Lane capital project was progressing well and remained within the allocated budget. The College's solicitors were working on the charge on the Portland Street property, which equated to £1.314m and was due on 1st August 2023.	
65.23.3	A meeting was scheduled for later in the week with the Head of Assets at the local authority regarding the Hawbush site.	
65.23.4	There were no further updates on property issues other than reported to the Corporation. A detailed report would be submitted for discussion at the first Capital Projects Working Group meeting on 4th July.	Dir of Ops
	Deb Rajania and Natalie Priest joined the meeting.	
66.23.6	As mentioned at the previous Committee meeting a cross-College forum had been established to review staff engagement, well-being and issues such as hybrid working. The initial meeting had highlighted pay and levels of flexibility as key concerns for staff, which would be explored further.	
66.23.7	The Lecturers' Reference Group had discussed student behaviour, flexibility of working and communication. Staff had commented that marking time was not specified in their current contracts and time available for this was eroded by other activities such as providing cover for absent colleagues. A mechanism to ring-fence marking time was being devised for review by the Group.	
66.23.8	Once, completed the work of this Group would add value to the organisation. A regular update on activities and their impact would be provided as part of future reports to this Committee.	Head of HR
66.23.9	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.	
66.23.10	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 had been invited on 7th July.	
66.23.11	A governor asked about progress with the College's well-being activities and was advised that there would be some questions on this in the staff survey. The Curriculum Conference in July would include a number of well-bring events and an EDI 'showcase'. It was agreed that the Executive Report at a future Corporation meeting would contain information on well-being and recognition of staff achievements.	Principal
66.23.12	Communication with staff had been more effective this academic year and needed to be improved further. Data resulting from the staff survey would inform the corporate message and identify areas for further enhancement.	

Item	Subject	Who
67.23	BAD DEBT WRITE-OFFS	
67.23.1	The Head of Finance presented a report on Bad Debt Write-offs in 2022/2023. The total value of the provision for bad debts had reduced by £127K to £188K at the end of April 2023 and governors were advised that the College was still carrying some liabilities relating to courses during the COVID-19 period.	
67.23.2	As set out in the Financial Regulations the Director of Finance had authorised the write-off of £86K worth of debts. A total of 21 outstanding debts had been forwarded for action to the collection agency and represented £117K worth of tuition fees. All debts were reviewed on a monthly basis.	
67.23.3	In response to a question on how the debt figure compared to the rest of the sector the Head of Finance reported that no such benchmarking information was available. The level of bad debts was now the same as pre-COVID-19, but the process was much more robust.	
68.23	GDPR UPDATE	
68.23.1	Governors received for information a detailed report on GDPR issues. The College had received a total of 1599 GDPR requests, 57% of which were directly from students and were mainly asked for confirmation of their studies for Government agencies (such as the Department for Work & Pensions) and for pre-employment checks.	
68.23.2	Nine Subject Access Requests had been received which focused on students obtaining information held by the College about them. A further 7 requests were for individuals ‘to be forgotten’ i.e. to have their data removed permanently from the College’s systems.	
68.23.3	Staff continued to undergo regular training on Data Protection and Phishing issues.	
68.23.4	A total of 10 Freedom of Information requests had been received compared to 13 in 2020/2021, all of which had been actioned within the 20 day deadline.	
68.23.5	The Committee was advised that guidance was due shortly as to the implications for the College’s GDPR processes following the decision by the Office for National Statistics to reclassify further education colleges as public sector institutions.	
69.23	COMMITTEE SELF-ASSESSMENT REPORT 2022/2023	
69.23.1	The Interim Head of Governance presented a draft Committee Self-Assessment for 2022/2023 which measured its performance against each paragraph of the terms of reference.	
69.23.2	The Committee was advised that this exercise could be simplified and focused on key elements such as attendance, work covered, membership, training undertaken/identified, strengths and areas for improvement.	
69.23.3	**Resolved:** That the Committee’s Self-Assessment for 2022/2023 be approved.	

Item	Subject	Who
	DATE OF NEXT MEETING	
	28 November 2023	

Item	How governors challenged management
	Comments on content of budget and recommendations for Corporation meeting

Item	Impact of meeting on college
	Budget/Three Year Financial Forecast supports achievement of financial stability/solvency and provides framework within which Exec Team can manage