

**APPROVED MINUTES OF FINANCE & RESOURCES COMMITTEE
MEETING HELD ON 11TH FEBRUARY 2025**

Present:

Stuart Pedley-Smith (Chair)
Nelson Tanyanyiwa
Jat Sharma

In Attendance:

Jacky Leek (Interim Director of Finance) (IDoF)
Lesley Venables (Head of Governance) (HoG)
James Norris (Assistant Principal, Adults & WBL) minutes 171 to 178
Deb Rajania (Capital Projects Director) – minutes 187 to 200

	APOLOGIES FOR ABSENCE	
137	Apologies for absence were received from Tony Sadla (External Governor) and David Wheeler.	
	DECLARATIONS OF INTEREST	
138	There were no declarations of interest in any agenda item.	
	MINUTES	
139	Resolved – That the minutes of the meeting held on 26 th November 2024 be approved as a correct record and signed by the Chair, subject to some minor amendments	
	MATTERS ARISING	
140	Governors received a progress report on actions identified at the previous meeting, the majority of which had either been completed or were featured on the agenda. The following updates were noted:	
141	Minute 180 – a governor asked why the review of apprenticeships was taking longer than anticipated and was advised that this was part of the 2030 Project. There had been some improvement in performance and quality but the outcome of the Curriculum Efficiency & Financial Sustainability (CEFS) process had suggested a higher target contribution level of 12 to 15%. There were margins of 50% and above in core curriculum areas in similar colleges. Some actions from the apprenticeships review needed to be channelled into work on the wider curriculum. Governors questioned the likely impact of the Government's decision on 19+ Maths and English for apprentices and were advised that this would now be at the discretion of the employer. The 16-18 requirement would remain in force and it was noted that the Combined Authorities wanted to retain control of their own adult skills budgets, which could be commissioned in accordance with local needs.	
142	Minute 218 – The Interim Director of Finance reported that in the past the Committee had received several elements of the overall financial strategy (for example, Treasury Management Policy, Budget and Forecast to 2030, Financial Targets). It was intended that these would be amalgamated into a single document and brought back to the Committee at its May 2025 meeting, with the covering report setting out what had been approved by the Committee/Corporation and when.	JL

143	Minute 236 – Following the College’s achievement of the Bronze Award for Diversity, staff were currently working towards the Silver Award. It had also signed up to the Association of Colleges’ EDI Charter and all of this work was included in the new Corporate Plan.	KL/JS
144	Minute 274 – Proposals on future growth of provision at Construction Colleges Midlands would be incorporated into the 2030 Project, with some bids submitted to address any funding gaps in 2024/2025, such as a Bootcamp for scaffolding. Governors stressed the need to continue to monitor performance levels at CCM, as it was not delivering the outcomes that had been intended when first taken over by the College. The Principal advised that Ofsted had assessed provision at CCM as ‘good’ and that the CITB had now improved its processes and profile, which meant that the College needed to consider how this provision should be handled in future. Margins had increased slightly but were now reducing. Information on the short-term plan for CCM would be shared at the May 2025 Committee meeting. The area was part of the longer-term strategy of the 2030 Project and needed to be better aligned with the new Corporate Plan. It was noted that its leadership may change as a result of the restructuring process.	
145	Governors also recognised that staffing levels in both finance and human resources had not increased despite the College almost doubling in size over the past few years and the increased bureaucracy imposed by external regulatory requirements.	
CHAIR’S ACTION		
146	The Chair advised that, in line with discussions at the previous meeting, he had recently approved sub-contracting contract arrangements with Learning Curve, Embark and 3EEs.	
FINANCE REPORT TO DECEMBER 2024		
147	The Interim Director of Finance presented the management accounts to 31 st December 2024. These indicated a positive variance to budget of £303k overall. Although the College’s main income streams were performing well against their respective targets, there had been under-recruitment on HE, full cost and FE loans.	
148	The College’s Financial Health Rating was classified as ‘Good’ with an adjusted EBITDA of 2.90% (compared to 0.62% for 2023/2024. It was noted that 1% of EBITDA was equivalent to £500k and that the financial health score would be reduced to ‘Requires Improvement’ if EBITDA fell below 1%.	
149	Overall income was £603k below the approved budget and the most notable variances within this amount were Adult Education Budget (£214k) and tuition fees (£108k). The former was due to a timing issue and was expected to be corrected by the end of the year.	
150	Recruitment for the 16-18 cohort was above the target of 4129 at 4,181 (including 255 students on T-Levels). There would be some clawback due to the under-recruitment of T Level, but this would be offset by any growth funding for the 16-18 cohort. Adult income was £283k lower than the target, due to timing issues.	

151	There was a positive variance on staff costs (£708K) partly as a result of not filling non-essential vacancies to offset any potential pay award and meet increased employer costs such as National Insurance. Non-pay expenditure had a negligible variance to budget of £18k, Although there were currently no indications of upward pressure on non-pay costs, it was noted that the College's utilities contracts would be renewed in March 2025 which could impact this situation.	
152	Capital investment for 2024/2025 was currently £894k out of the total forecast of £2.73m.	
153	Cash balances at the end of December 2024 were £9.9m (compared to £10.4m in July 2024) and net assets of £58.4m (£59.4m July 2024). The reduction was due to capital expenditure.	
154	All financial indicators for 2024/2025 were progressing in line with the forecast.	
155	The Interim Director of Finance provided an update on recent announcements made by the Government which would impact on the College's financial position, but the scale and any support available had not yet been determined. These factors included the increase in employer National Insurance rates, the availability of growth funding for 16-18 provision, monies for workforce recruitment and retention and potential capital grants. The DfE had also informed the sector that there would be a 2% reduction in the adult skills budget for 2025/2026.	
156	It was unlikely that the College would receive confirmation of any funding enhancements until the end of March, which meant that it would be difficult for the Corporation to approve any pay rise for staff.	
157	Governors received a further table which set out the best and worst case scenarios for the College's financial position in relation to each of the items mentioned above. The current forecast was felt to be prudent given the level of uncertainty of Government funding and reflected the increases in the National Minimum Wage and Real Living Wage, but not an allocation for a pay award.	
158	A number of current and future pressures on expenditure meant that the ability to both meet the financial forecast outturn and award staff a pay increase was reducing. It was noted that a 2% pay uplift would cost £370K for a full year.	
159	Growth in 16-18 provision was estimated as £400K and included T Levels, which could be subject to clawback due to under-recruitment in 2024/2025.	
160	Class sizes were lower than the target of 17 but it had been difficult to obtain an accurate picture, with classes for the 16-18 cohort between 11 and 14. More efficient timetabling would enable this to improve and there may be higher levels of capacity at the Wisemore Campus once the Adult Learning Centre opened.	
161	It was agreed that information on the utilisation of staff and PCs together with class sizes would be provided to future meetings as part of the performance 'dashboard'.	JL/RJ

162	The Interim Director of Finance reported that in the modelling undertaken adult income would be below the identified target (including Adult Education Budget, HE Loans and Free Courses for Jobs). Recruitment for this income strand continued throughout the academic year and there would be a variation in the performance of individual faculties. Work had already commenced to remove some costs as part of the restructuring of provision.	
163	Although there was a high demand for ESOL programmes amongst the local population, the Combined Authority had limited the amount of this provision, so the College was unable to make up any shortfall in adult funding via this route.	
164	A governor asked why the allocations for bursaries and Free School Meals were underspent. The Interim Director of Finance reported that students were often reluctant to apply for these methods of support, despite every effort made by staff to publicise their benefits.	
165	Governors were advised that the Principal had raised the issue of the technical breach of the bank covenant with the FE Commissioner who confirmed that this was not a significant problem as the College had a sizeable cash balance. It was possible for the College to pay off its outstanding loan, but there would be high penalties for an early settlement.	
166	It was important that the College started to generate cash that could be added to its current balances. A meeting with Barclays Bank had been arranged to discuss possible changes to the loan covenant to align it more closely to the College's situation. It was not expected that a similar breach would occur in 2024/2025.	
167	Following questions from governors on the impact column within the risk register in the report, it was agreed that a number of amendments and further explanations of the potential impact were required. The risks reflected the items that had not been accounted for in the original budget approved in July 2024, together with the uncertainties of the external landscape.	RJ/JL
168	Discussions continued with Walsall Council on the College's capacity to provide education to High Needs students. The College's policy on bursaries had recently been tightened to address some of the issues that had been raised through the audit process.	
169	It was intended that governors would receive a monthly update of the table as part of the management accounts.	JL
BUDGET-SETTING APPROACH 2025/2026		
170	The Committee received for information the proposed approach for the budget-setting process for 2025/2026. This followed a similar format to previous years and included assumptions in relations to EBITDA, financial health, staff to income ratio, cash generation, capital investment, 16-18 student numbers and average class sizes.	

APPRENTICESHIPS & WORK-BASED LEARNING UPDATE		
	James Norris joined the meeting.	
171	The AP CD presented a report on apprenticeships and work-based learning provision in 2024/2025.	JL
172	Performance by the College’s two main Adult Education Budget contractors was on track and no concerns with quality had been identified. The Committee was asked to approve additional maximum contract values for both sub-contractors following the Combined Authority’s approval of the College’s business case. The respective allocations would be adjusted.	
173	The College had ceased all activity with Learning Curve in relation to the Free Courses for Jobs contract. Governors were reminded that Chair’s Action had been sought in December 2024 to increase this, but confirmation had been received that the WMCA no longer requires this activity and the College has been asked to adjust the allocation for Learning Curve. This had a negligible impact on the College budget and any management fee income would be replaced by the new contracts for 3EEs and Embark.	
174	Apprenticeship performance against the Accountability Framework continues to be on track for the key indicators but it was noted that the number of starts was below the overall profile. The number of Out of Funding apprentices was 129 out of a total cohort of 1146.	
175	The AP CD advised that it was too early to determine the impact of this underperformance on next year’s carryover position. Retention of apprentices had increased by 5.6PP for 2024/2025 and it was noted that a recovery plan had been developed to address any shortfall in income. The mix and balance of activity was under constant review to enable the College to maximise its position.	
176	The benchmarking exercise undertaken by the FE Commissioner’s Team had set out that the best-case scenario in terms of contribution to College income for apprenticeships was 12 to 15%.	
177	Governors received information on recent Government policy announcements including the withdrawal of the Functional Skills requirement for adult apprentices, which may cause some employers to take on increased numbers within this age bracket at the detriment of 16-19s. Further updates would be provided to future meetings.	
178	Resolved – That the extension of the sub-contracting arrangements with 3EEs and Embark to the maximum be approved for 2024/2025	
	James Norris left the meeting.	
TREASURY MANAGEMENT UPDATE		
179	The Committee received a report on Treasury Management and noted that, in line with the current policy the College had not placed any funds on deposit for longer than 32 days’ notice. The difference in interest rates between 32 days and 365 days was negligible and enabled the College to access its working capital.	

180	The final 365 day deposit matured in June 2024 and the College currently had £1m in Barclays and a further £4m in a notice account at a higher interest rate. It was estimated that the interest generated for 2024/2025 would be £378K.	
181	Governors noted that the Treasury Management Policy had been updated to reflect the reclassification of FE colleges to the public sector.	
182	Currently the College had a single loan facility with a balance of approximately £4.2m, at an interest rate of 5.86% and a repayment end date of October 2035.	
HIGHER EDUCATION TUITION FEES		
183	The Committee was advised that detailed guidance had not yet been published by the Office for Students on the Lifelong Learning Entitlement, which would impact on fee levels for 2026/2027. The LLE was now scheduled to come into effect in January 2027.	
184	However, from October 2025 the OfS required all HE providers to publish their tuition fees for 2026/2027. As an approved, capped HE provider, the College could set a tuition fee that exceeded the £6K cap, but this would mean that it would need to set out in an Access & Participation Plan how it intended to support students from disadvantaged backgrounds.	
185	Governors also noted that a fee level greater than £6K could give the College's competitors an advantage if they decided to charge lower fees. Consequently, management was recommending that there should be no increase in tuition fees for 2026/2027.	
186	Resolved – That the Corporation be recommended to approve a zero increase in HE tuition fees for 2026/2027.	
ADULT LEARNING CENTRE & OTHER ESTATES MATTERS		
187	Deb Rajania joined the meeting. The Capital Projects Director presented a progress report on the Adult Learning Centre project, the details of which had already been discussed by the Capital Projects Working Group.	
188	The project design process and legal work were on track. However, the overall timeline of the project was currently at risk due to delays in the procurement of the main contractor by Walsall Council following the enactment of the Public Procurement Act 2023. This could involve a delay of 3 to 4 months.	
189	Discussions continued regarding the future of the Leather Museum and a further meeting had been arranged for later this week.	
190	The Committee was advised that the contract to strip out the ALC building had now been let and construction work would commence in September 2025.	
191	The Director presented information on the various capital grants that contributed to the project, which totalled £16.299m. There was a gap in funding of £1.31m, which would be addressed through value engineering of the ALC (£0.631m) and the Supported Learning Centre (£0.5m). In	

	response to questions on the liability for this amount, governors were advised that all the risk would be carried by Walsall Council.	
192	It was intended that the Corporation would be asked to approve the project at its meeting on 27 th March 2025 and that Walsall Council would approve the project on 16 th April. Governors requested that any approval by the Corporation would be subject to the College not being liable for any financial contribution to the ALC project. Politically, it would be difficult for the Council to terminate the project, given the amount of public money already spent on its inception and the lack of any suitable alternatives.	DR/LV
193	A governor questioned the financial risks relating to the Leather Museum and was advised that 50% of the building was actually already owned by the College and that it would be prudent for the Council to sign it over to the College under the same lease arrangements as the Hawbush site and with the proviso that the proceeds of any future sale must be reinvested in education and training.	
194	Management was checking whether the College (in its capacity as an exempt charity) would need to pay VAT on any adaptation of the Leather Museum building. The current plan was for completion of the SLC by September 2026 to align with the ALC project.	
195	Governors were reminded of the terms of the lease for the ALC: no service charge for the first 20 years, followed by £180K per annum plus inflation.	
196	The Electric Vehicle Sustainability Centre project was on hold due a lack of available funding. It was proposed that redevelopment of this site would form part of the revised Property Strategy that would be submitted for recommendation for approval by the Corporation.	
197	The Committee was informed that the professional fees for the flooring issue at the Green Lane campus had now been refunded.	
198	Following information presented to the previous Committee meeting, the Director reported that the College was not eligible to access the Salix Fund for decarbonisation initiatives under new regulations.	
199	The College's existing utility contracts were due to expire in March 2025 and details of the potential tender bids had been received at the February 2025 Committee meeting. Chair's action was now requested on this item although it was noted that there may be an opportunity for a one-year contract with an alternative provider at a significantly lower cost, but further due diligence was required before this would be recommended.	
200	Resolved - 1 That the Corporation be recommended to approve: a) Funding arrangements for ALC and SLC including £150k of College funding. b) The project management process c) The procurement approaches to securing works for the ALC and SLC d) The programme for the ALC project	

	2 That the Committee Chair be given delegated authority to approve the new contract for utilities, subject to the appropriate due diligence being undertaken on all potential providers Deb Rajania left the meeting.	
	HUMAN RESOURCES UPDATE	
201	Governors received a report on HR issues including performance against key indicators. The College's total staffing complement was 934 compared to 844 in the previous report (which equated to 714 and 711 FTEs respectively).	
202	Sickness absence for August to December 2024 was 4.09 compared to 3.86 for the 2023/2024 academic year and 2.34% for the same period in 2023. A total of 51% was due to long-term absence and was mainly due to minor illnesses and mental health issues. Approximately 41% of absence for the latter reason was work-related.	
203	The College had been accredited with a Thrive at Workplace Wellbeing Foundation Award and was working towards the next level (Silver).	
204	A total of 8 disciplinary and grievance cases were currently in progress, 2 of which were for misconduct for safeguarding reasons.	
205	From the 57 current vacancies, 21 were at the pre-employment stage. A total of 22 were for business support posts, with a further 19 for teaching staff. Turnover was 5.5% for Term 1 compared to 10% for 2023/2024. The published sector average was 17.8% and the Midlands & East Region average of 15.3%.	
206	The Committee received information on recent changes to employment law, including zero-hours contracts, neo-natal care leave and protection against unfair dismissal from day one of an individual's employment. The College's policies and procedures would be updated to take account of these.	
207	Management continued to address the issues raised in the staff survey and it was noted that communication with staff had improved, particularly following the inclusive process used to develop the Corporate Plan and the roll-out of the final version to staff.	
	RESERVES POLICY	
208	The Interim Director of Finance presented a draft Reserves Policy, which colleges were recommended to introduce following their reclassification as public sector organisation. Such a policy demonstrated to external stakeholders that the College had robust planning mechanisms and that governors took account of their responsibilities as charity trustees, using the College's asset to benefit learners and not to accumulate a large cash balance.	
209	The Policy included a minimum cash level of £4m, which equated to 6 weeks of salary payments and was the same as the outstanding balance on the loan for the Wisemore building. Governors were reminded that approximately 50% of the College's income was lagged due to the ESFA funding model and that this stream would be received regardless of student numbers.	

210	Additionally, if the College found itself in financial difficulty it could ask the Department for Education to step in, so the amount of the cash balance could be set relatively low. The suggested maximum cash balance was £14m, which represented 3 months of operating costs and 90 days. All monies in excess of this figure should be reinvested, but it was noted that this excluded any amounts designated by the Corporation for a specific project.	JL
211	In response to questions on the comparability of the proposals to other colleges the Interim Director of Finance reported that a similar-sized local organisation had a minimum of £4m and a maximum of £8m. This provided sufficient headroom to invest whilst ensuring that costs were covered.	
212	It was agreed that the amounts in the Policy would be reviewed at the year-end alongside the draft Budget for 2025/2026. Further benchmarking against other colleges would be undertaken and the outcomes reported to the next meeting,	
213	Resolved – That the Corporation be recommended to approve the Reserves Policy, including a minimum cash balance of £4m and a maximum of £14m	
FINANCIAL REGULATIONS		
214	The Interim Director of Finance presented updated Financial Regulations, which now reflected the new senior structure of the College. It was noted that an element of flexibility had been included in terms of the finance function, with the roles of Deputy Principal (Finance & Resources), Director of Finance and Head of Finance interchangeable and able to deputise in the absence of one or other individual. This would be reviewed at an appropriate point in the future.	JL
215	The proposed amendments centred around the authorisation and standing orders for expenditure and an increased value for which quotes and tenders were required (from £2k currently to £5k). Governors were advised that the existing limits had been set a significant time ago and budget holders found it difficult to manage within this framework. The increased administrative burden required did not provide value for money. Under the new process, control would continue to be exercised through the authorisation limits as these remained the same.	
216	The revised Regulations also took account of the requirements of the Procurement Act 2023 which was enacted with effect from 24 February 2025. The main impact on the College would be increased administration for the Finance Team to monitor and report purchases over £30k (inclusive of VAT). An additional Finance Assistant post had been included in the 2024/2025 budget to address these changes, including posting tender notifications on the College's digital platform.	
217	Governors asked for further clarification to be added to the financial limits and that each descriptor included providing 'best value', rather than merely being the cheapest.	
218	Resolved – That, with the amendments suggested by the Committee, the Corporation be recommended to approve the revised Financial Regulations for 2024/2025.	

	DATES OF FUTURE MEETINGS	
	13 May 2025 24 June 2025	