

**FINANCE AND RESOURCES COMMITTEE
MINUTES OF MEETING HELD ON 17TH MAY 2024**

Present:

Tony Sadla
Nelson Tanyanyiwa
David Wheeler – External Governor (Chair)
Jat Sharma - Principal
Stuart Pedley-Smith – External Governor –
minutes 146 to 186

In Attendance:

Matthew Brown (Director of Finance and MIS) (DoF)
Jacky Leek (Head of Finance) (HoF)
Lesley Venables (Head of Governance) (HoG)

Natalie Priest (Head of Human Resources) –
minutes 146 to 162
Deb Rajania (Director of Operations & Resources) – minutes 201 to 213
James Norris (Assistant Principal Commercial Development) – minutes 163 to 186

	Apologies for Absence	
146	There were no apologies for absence.	
	Declarations of Interest	
147	There were no declarations of interest in any agenda item.	
	Minutes	
148	Resolved – That the minutes of the meeting held on 20 th February 2024 be approved as a correct record and signed by the Chair	
	Matters Arising	
149	Governors received a progress report on actions identified at the previous meeting and noted that the majority of these had either been completed or were featured on the agenda.	JN
150	Under minute 53.23 discussions with the local authority were ongoing and continued to be considered by the CPWG.	
151	The financial element of the revised Higher Education Strategy would need to be presented to this Committee as part of the budget for 2024/2025 (minute 63.23.14). The APCD would be meeting shortly with Mary Mahoney to discuss the outline HE Strategy and its alignment to the new Corporate Plan and needed to reflect national changes to the Lifelong Learning Entitlement which will impact on future qualifications.	MB
152	The Director of Finance & MIS reported that no separate financial work had been undertaken on the HE Strategy yet, but the matter had been discussed at SLT. There were still a number of fundamental questions that needed to be considered by the Corporation before this could be progressed, such as how well this provision satisfied the needs of the local community and the differing priorities of the Combined Authority. There were also opportunities such as becoming an HE centre of the University of Worcester.	
153	The report on performance of Construction College Midlands had not yet been completed and would be deferred (minute 42 refers). the projected completion date for the business case for the Adult Learning Centre (minute 67) had moved due to delays in Walsall Council's processes.	

154	The Committee noted that some actions had been identified for completion in May but were not featured on the agenda due to delays in the budgeting and some external processes. Governors asked that the timescales be kept under closer scrutiny in future so that actions were signed off in a more timely manner.	MB/ LV
	Chair's Action	
155	There were no items of Chair's action to be noted.	
	Human Resources Update	
156	Governors received a report on HR issues including performance against key indicators. The College's total staffing complement had increased from 880 to 894 since the previous report.	NP
157	Sickness absence was 3.97% compared to 4.14% at the same point last year, 44% of which was due to long-term absence and was mainly due to minor illnesses (66% work-related) and mental health issues (35% of which were classified as work-related). Further strengthening of mental health initiatives had taken place, including refresher training for Mental Health First Aiders.	
158	The College was working towards the Investors in Diversity accreditation which had generated a high level of staff engagement.	
159	A total of 4 disciplinary and grievance cases had been undertaken, including 2 dismissals which were likely to end in appeal hearings. One of these was for gross misconduct for safeguarding reasons and was being kept under review with the Local Authority Designated Officer. In response to a question about possible timescales for the resolution of these issues the Head of HR reported that it was difficult to predict, but that further information would be provided to the Committee as it became available.	
160	From the 60 current vacancies, 21 of which were at the pre-employment stage. A total of 26 were for business support posts, with a further 12 for teaching staff. Recruitment for some jobs was difficult, particularly in teaching and there was no mechanism within the current pay structure to reward staff with particular skills. This situation was likely to exacerbate due to a national shortage of teaching staff in STEM subjects.	NP
161	Staff turnover had reduced from 17% in 2021/2022 to 13.4% in 2022/2023 against a published sector average of 17.8%. The current rate of turnover from August 2023 to April 2024 was 8.8%.	
162	A governor asked whether the Equality Diversity Inclusion & Belonging Strategy had had a positive impact on staff well-being and was advised that this should be evident through the outcomes of the staff survey, which would be brought to a future Committee meeting. Natalie Priest left the meeting at this point.	
	Finance Report to March 2024 (including AEB & Commercial Activities)	
	James Norris joined the meeting.	
163	The Director of Finance & MIS (DoF) presented the management accounts to 31 st March 2024.	

164	The Committee was advised that achieving the projected budget for 2023/2024 was unlikely with a small shortfall which should not cause any concerns for future years. The EBITDA figure would be around 2.5% at the year end, compared to 3.34% in the Income & Expenditure Account and 4% within the approved budget.	
165	In terms of income the funding grant for 16-18s was relatively fixed at this point in the year, with only the high needs element uncertain. A further 400 learners had been enrolled in this cohort, which had impacted on delivery and the necessitated additional 'wrap-around' services for which the College received no extra funding from the ESFA.	
166	AEB and FCFJ income was higher this year, but a similar level was not guaranteed for 2024/2025. The profile of delivery for this funding stream did not align totally with the priorities of the Combined Authority.	
167	HE recruitment had been lower in 2023/2024 and the future appetite of students to take out loans liable to reduce this even further. Apprenticeship income was well below the approved budget level. Some cost reduction work had been undertaken to tighten the margins.	
168	Pay expenditure had almost reached the level of the revised budget, which meant that other cost reductions would not have enough impact on the overall position. Non-pay costs had increased this year and there had been a number of unexpected items such as lift repairs.	
169	The overall position at 31 st July was projected to be £400k worse than the approved budget, with a total deficit of £2m. Depreciation would be higher for 2023/2024 due to the accounting treatment of capital grants. The Director of Finance gave an assurance that there was no risk of the College having a negative EBITDA and the financial health rating remained as 'Good'.	
170	A governor queried the likely recruitment levels for 2024/2025 and was advised that there was current a shortfall of 400 who had been offered places but had not accepted them against a projected cohort of 2000 students. Due to the assessment window process the College was unable to count any progressing learners until later in the academic year. Attendance and engagement levels at the last open day had been positive and there were no concerns about enrolments for 16-18s. Management had taken a prudent approach to the budget and had not included any growth in this group.	
171	Governors were also reminded that the budget assumed that 10% of students would be undertaking English and Maths at GCSE or equivalent, but the College would not receive the income for these additional classes until the following academic year.	
172	The budget for 2023/2024 had predicted an income of £4.2m for apprenticeships and the curriculum plan for 2024/2025 included additional enrolments. The College currently offered a total of 39 apprenticeship standards, which management felt was excessive and spread resources extremely thinly across curriculum areas. Alongside the drafting of a revised Apprenticeship Curriculum Plan for 2024/2025 a review was underway to reduce this number to 17 (including those offered at Construction College	

	Midlands) and to either reallocate resources to another area of provision or to remove these costs altogether. However, some apprenticeships were delivered over a long period which meant that they could not be withdrawn suddenly without impacting directly on existing learners, unless they could be transferred to another provider (but it was noted that all providers faced the same issues as the College and it was not attractive for training providers to take on apprentices part-way through their programmes). The preferred strategy was to scale down the number of standards over time.	
173	Governors commented that apprenticeship performance had remained similar over the last 3-4 years. It was difficult to achieve the transition outlined above within an EBITDA of 4%. Discussions had commenced with the Combined Authority on the possibility of the College delivering a higher level of AEB provision which would offset any reduction in apprenticeships.	
174	The Committee questioned whether the ideal number of standards (17) would enable the College to make that provision viable in terms of resourcing. The AP CD reported that apprenticeships were still viewed by industry as the 'gold standard' of qualifications and provided an excellent route into employment. The breadth of apprenticeship provision was partly a legacy from the Train to Gain initiative, together with the College's slow response to the new standards during the COVID pandemic. The highly regulated environment, audit regime and the lack of experienced staff meant that the College needed to reshape its apprenticeship provision.	
175	Retention and achievement levels for apprenticeships were under the national benchmarks. The best-case scenario for retention was 70%, 50% of which had already been 'banked', which was better than performance in 2022/2023. The ESFA grading for apprenticeships under the Accountability framework was still 'Good' and not 'Requires Improvement'.	
176	The AP CD reported that pipeline enrolments varied between standards. There was a gap between the data on the College's ILR and the numbers recorded on the pipeline data, due to delays in the receipt of funding from the ESFA. This was exacerbated by staff taking a cautious approach and waiting until any additional evidence had been provided by the employer prior to submitting any funding claims. This lag made it difficult to compile the budget and impacted on cashflow.	
177	In the past apprenticeships had been used to drive growth in income as there were no other viable alternatives. It was important for the range of apprenticeships to reflect the local economy and, in response to questions on employer needs, the APCD reported that there needed to be a rebalancing of the apprenticeship profile. For example, there was a large number of Health & Social Care apprentices, but income from the Construction standard was far higher.	
178	There were a total of 180 Out of Funding apprentices and the level of withdrawals had also decreased.	
179	Information on the staffing element of apprenticeships had not been included in the report due to the current absence of the Head of HR.	
180	The Committee asked for information on the final projected outturn, the number of standards, apprentices in learning and due to commence their	JN/ MB/ NP

	programmes, the contribution rate and revenue generated for the current and the next 3 academic years. A staffing plan to deliver this provision was also requested.	
181	The APCD would map the transition process for the reduction in the number of apprenticeship standards, including the costs that would be carried in the next year that would reduce in future years once the decrease took effect. Governors asked for a clear recommendation to be made to the Committee, based on the evidence outlined above. It was noted that some restructuring costs would be excluded from the budget process and that there would be no negative EBITDA as a result of these proposals.	JN Exec
182	The potential change of Government following the general election this year was likely to impact on the future delivery of apprenticeships.	
183	The level of cash reserves was currently £12.2m, compared to £14.2m in July 2023 and with a £4m threshold for liquidity. Management was currently considering whether a formal reserves policy was required and would submit this to the Committee for recommendation to the Corporation once the Financial Strategy was finalised.	
184	The Assistant Principal (Commercial Development) reported that sub-contracting performance was on track to meet the identified target. The FCFJ contract for Embark had been withdrawn and the provider's performance was under review by the Combined Authority. Management was confident that the agreed profile would be met and it was noted that this contract was relatively low risk as it was likely that the College would receive funding from the CA for any additional enrolments.	
185	Starts for Learning Curve continued and there would be a rollover into next academic year of £0.5M which had been agreed by the Combined Authority with no risk to the College.	
186	Resolved – That an additional £40K be approved for 3EE, subject to approval from the Combined Authority James Norris and Tony Sadla left the meeting at this point.	
Budget Process for 2024/2025		
187	The DofF presented a report on the budget process to date, which was well-advanced. The full budget including the cost of the apprenticeship transition would be brought back to the Committee, together with some costs that had only just been identified. Priorities had been set by the Senior Leadership Team for expenditure items from each area.	
188	Staff costs were above 70%, but this was in line with other FE providers. Governors were advised that the figure was based on 'baked in' costs, ie with no agency staffing (the current level of which was approximately £600K).	
189	The Financial Strategy needed to take account of the discussions earlier in this meeting. Managing and balancing the College's financial position was increasingly complex and had a high level of sensitivity for all metrics, which meant that these could not be considered in isolation.	

190	A governor commented that the staff to income ratio either represented a shift in the College's business model or was something that could be remedied.	
191	Income and costs were very different from the levels in the previous approved 3 Year Financial Forecast. Cash balances and EBITDA were close to forecast figures. Due to the accounting treatment of capital grants and depreciation the outturn had moved from a deficit of £2853K to a surplus of £2171K. The Principal felt that cash generation to fund future developments would be key, rather than the staff to income ratio and it may be necessary to institute a programme of cost reductions.	
192	The inefficiencies in apprenticeship provision and additional costs would need to be added to the forecast. The Principal would be establishing an Efficiency Group, led by the Director of Finance & MIS.	
193	In line with the ESFA's lagged funding model income to cover any such costs would not be received until the following academic year, which was particularly pertinent given the significant increase in 16-18 enrolments in 2023/2024. The staff to income ratio needed to be reviewed over a 2-3 year timeframe.	
194	The draft budget would also include the additional costs of the proposed Adult Learning Centre and the likely annual service charge.	
Tuition Fee Policy		
195	The Head of Finance presented an updated policy on Tuition Fees, with minor changes relating to the fees for community learning programmes and the withdrawal of the ability to accept cash payments from students (in line with national guidelines).	
196	Resolved – That the Corporation be recommended to approve the revised policy on Tuition Fees	
Financial Handbook		
197	Governors received for information a report on the implications of the Department for Education's new Financial Handbook for FE providers, which had been compiled to provide guidance to the sector following the reclassification to the public sector.	
198	The Committee was advised that there were no significant changes to the policy framework and that the Handbook brought together existing regulations into one document. Certain decisions that could previously be determined by the Corporation now required approval from the Department for Education.	
199	One of the requirements was for any 'novel or contentious' transactions to be submitted for approval and this may apply to the Adult Learning Centre, acquisition of the Leather Museum and the road de-adoption. Legal advice would be required on each of these prior to the appropriate permissions being sought from the DfE.	DR/ JS
200	The College's Financial Regulations were under review to take account of any changes to procedures and a draft would be presented to the Committee's first meeting of the 2024/2025 academic year.	MB/ JL

	Resources - Estates	
	Deb Rajania joined the meeting.	
201	The Director of Operations presented an update on estates issues.	
202	A number of contracts for essential services were due to expire shortly and tenders had been issued for each of these and were presented for approval by the Committee.	
203	Governors asked why the current CCTV was obsolete and were advised that this was due to advances in technology and the need to address behaviour management issues which had increased in frequency and seriousness.	
204	It was agreed that items such as this would be included in a formal schedule of planned preventative maintenance in future. However, it was recognised that it was important that a new CCTV system should be operational by the start of the 2024/2025 academic year. Further scoping would be undertaken over the next few weeks and a revised proposal would be submitted for approval at the June Committee meeting. The Vice-Chair of the Corporation would be asked to sign the contract for this item to provide a level of independence as the Chair of the Corporation was also Chair of this Committee.	DR LV
205	A further contract for the replacement of the College's gym equipment was presented for approval. This had been tendered under the Crescent Purchasing Consortium's framework. The preferred option was for a lease arrangement, which would enable the College to update the equipment as required.	
206	Only one of the bidders had offered the option of leasing and governors asked the DoOR to check whether this was available from the other potential suppliers.	DR
207	Resolved – 1 That further work be undertaken on the CCTV tender process and submitted to the Committee's June meeting 2 That the Vice-Chair of the Corporation be asked to approve the final contract for CCTV services 3 That the tender for the gym equipment be awarded to Life Fitness, subject to suitable checks being undertaken to determine leasing options from the other 2 suppliers	
	Stuart Pedley-Smith left the meeting at this point.	
208	Governors received an update on the Adult Learning Centre proposal and associated accommodation issues, which had been discussed in detail by the Capital Projects Working Group. It had been agreed that the renewal of the lease for the Whitehall Campus needed to align with the ALC acquisition process.	
209	The CPWG had recommended that the lease of the Whitehall Campus should be renewed until such time as the ALC was operational.	

210	An outline plan of costs (including decanting and removals) for the refurbishment of the ALC had been drafted, but the College may have to fund this from its own budget and this would be added to the risk register. RIBA Stage 3 needed to be reached before the project could progress further.	LV
211	The potential level of the service charge for the ALC payable to the Council had been raised at the CPWG meeting. It had also concluded that the unadoption of the road crossing the estate was not a viable option as DfE permission may be required, which could delay the project.	
212	It was suggested that the Corporation should be asked to approve the amendment of the terms of reference of the CPWG so that it became a sub-group of the Finance & Resources Committee, rather than reporting directly to the Corporation,	
213	Resolved – That the Corporation be RECOMMENDED to approve the amendment of the terms of reference of the CPWG .	
Date and Time of Next Meeting		
25 th June 2024, 10.00 a.m.		