

**FINANCE AND RESOURCES COMMITTEE
MINUTES OF MEETING HELD ON 20TH FEBRUARY 2024**

Present:

Tony Sadla
Nelson Tanyanyiwa
David Wheeler – External Governor (Chair)
Jat Sharma - Principal
Stuart Pedley-Smith – External Governor
(minutes 71 to 133)

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 71 to 112
Deb Rajania (Director of Operations & Resources) – minutes 71 to 131
James Norris (Assistant Principal Commercial Development) – minutes 77 to 102

Permission was given by all attendees to record the meeting.

	Apologies for Absence	
71	There were no apologies for absence.	
	Declarations of Interest	
72	There were no declarations of interest in any agenda item.	
	Minutes	
73	Resolved – That the minutes of the meeting held on 28 th November 2023 be approved as a correct record and signed by the Chair, subject to a number of minor amendments.	
	Matters Arising	
74	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.	
75	Information on staff engagement and well-being activities would be included in the executive report presented at the next Corporation meeting (minutes 66.23.8 and 66.23.11).	
	Chair's Action	
76	There were no items of Chair's action to be noted.	
	Finance Report to December 2023 (including AEB & Commercial Activities)	
77	The Director of Finance & MIS (DoF) presented the management accounts to 31st December 2023. The Committee was reminded of the detailed discussions that had taken place at the January 2024 Corporation meeting regarding the affordability and approval of the 6.5% pay award for staff. A number of concerns over income levels had been highlighted in the Financial Plan for 2023/2024: AEB, FCFJ, Apprenticeships and National Tuition Fund.	

78	Enrolments on AEB courses were close to the target. However, the curriculum mix was out of alignment with the strategic priorities of the Combined Authority, as more students had enrolled on ESOL courses and due to the uncertain impact of the opening of the Green Lane facility. It was felt that FCFJ and AEB income would achieve 100% of the target by the end of the year.	
79	The College had found it difficult to meet its NTF target each year, due to resourcing issues. Following a successful enrolment period in September, there were an additional 400 16-18s (4138 in total) which required delivery by core staff, particularly in Maths and English, who were already near or at capacity.	
80	The total NTF funding received this year is £460K, Two external tutoring services had been engaged to fill any gaps in provision but this was more costly than internal delivery and it was doubtful that these companies would be successful in utilising all of the available funding.	
81	Pay and non-pay expenditure were in line with the approved budget, including the 6.5% pay award, and it was noted that all discretionary expenditure was subject to rigorous review before any commitment was made. Work was underway to confirm the costs of provision for the start of the 2024/2025 academic year and it may be necessary for some items identified for 2024/2024 to be pushed into the next year.	MB
82	In response to questions about the overspend on maintenance costs in the current year the Director of Finance & MIS reported that this was partly due to the timing of capital works with a concentration over the Summer and within the first term. There had been a number of unexpected items, such as repairs to the lifts. A programme of planned preventative maintenance was being prepared, which compared the costs of repair with those of replacement, and a larger contingency would be included in the budget for 2024/2025.	DR/ MB
83	The current in-year internal financial health grading was 'satisfactory' and governors were advised that the level of EBITDA needed to exceed 1% to impact on this measure of performance. A governor commented that the College had made a deficit of £1.1m in 2022/2023 and was forecasting a further deficit of £1.5m in 2023/2024, questioning whether this trend was likely to continue in 2024/2025. The Director of Finance responded that the improvement in the rate of inflation and the lagged funding that the College would receive for increased enrolments in the current year would balance out any shortfall.	
84	Other colleges were using a different accounting method for the release of capital grants which flowed through into their Income and Expenditure Accounts. The key for the College was generating sufficient levels of cash to pay for 'big ticket' items in the future.	
85	The Committee agreed that some governors may be concerned about the relatively poor overall performance as evidenced through the projected deficit, EBITDA, pay to income ratio at over 70%, the decrease in disadvantage funding and the financial health rating. Therefore, it was important for the full situation to be explained to the Corporation and to have a clear plan for addressing these issues in 2024/2025 and beyond, including	MB

86	a 3 year cash generation forecast. In the past the Corporation had been risk averse and this position needed to be reviewed.	
87	Governors requested that further work be undertaken to model the impact of reducing the staff costs to income ratio to at or below 70%. They were reminded of the high costs of pension contributions with the Teachers' Pension Scheme requiring 28.9% from the College as the employer. Changes to the delivery model would be required to achieve the staff costs to income target in the short term, with likely negative impact on quality/student experience	MB/ JL
88	The level of cash reserves was currently £12.1m, 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.	MB
88	Budget preparation for 2024/2025 had commenced but would be affected by the national reduction in disadvantage funding and lower GCSE attainment levels. A full year budget would be brought to the next Committee meeting.	MB/ JL
Apprenticeships & Work-Based Learning Update		
89	The Assistant Principal (Commercial Development) presented a report on Apprenticeships & Commercial Activities in 2023/2024.	
90	Sub-contracting performance was on track to meet the identified target. There were no concerns in relation to two out of the 3 sub-contractors. The third provider was slightly under the target but had a strong pipeline of enrolments. The latter was in discussions with the Combined Authority to have its own direct contract in future years. The Committee was advised that 3Es had requested an additional £40K of provision in the current academic year.	
91	The opening event for The Link facility had been successful and well-supported by local stakeholders. This would support progression opportunities to courses operated in the new Adult Learning Centre (former M&S building). A total of 400 'walk-ins' had been recorded to date.	
92	Recruitment on apprenticeship programmes had been good in Q1 and Q2 but with starts not yet reaching the full target in the approved budget. Work was underway to mitigate any under-performance, for example, using shorter AEB courses to fill any gaps. It had been difficult to ensure that all recruitment aligned to the Combined Authority's skills priorities due to the profile of some of the College's learners.	
93	Some cost savings had been achieved within the apprenticeship directorate, however, it was recognised that there was a fine balance between providing a minimum level of resourcing whilst maintaining high quality. It was difficult to increase staff utilisation due to the nature of the provision and the inbuilt lack of flexibility for delivery staff.	
94	The number of out of funding learners had reduced significantly compared to the previous report (X to Y).	

95	The College had been selected by the ESFA to undergo a funding audit of its apprenticeship provision, the main focus of which was skills scans, maths and English provision and employer incentives. The Committee noted that the audit had proceeded much smoother than previous assessments with a faster pace and staff being permitted to submit further evidence in support of particular queries.	
96	Governors received a progress report on the bids submitted by the College, performance on which was in line with the agreed profile.	
97	Delays in enrolling apprentices had led to financial implications and a number of issues had arisen around the recognition of prior learning as defined by the ESFA's funding regulations.	
98	A governor asked whether it was possible to assign a separate EBITDA figure to apprenticeships. The Director of Finance & MIS reported that all of the risks were the responsibility of the College, rather than the apprentice or the employer. The intention was to continue to deliver apprenticeships as it met the skills needs of the locality, but the way in which this was undertaken had to change in the future. The Committee was advised that almost half of apprenticeships income was derived from 7 standards, whereas the College offered 20 standards in total.	
99	It may be possible to transfer some delivery resource to in-work training programmes, but ceasing a particular apprenticeship would take a considerable length of time. The delivery model was inherently inefficient due to the complexities of the enrolment process and the fact that the College was dealing with mainly SMEs, which required a greater level of support.	
100	In response to a question about the performance of Construction College Midlands (CCM) the APCD reported that it was possible to switch some activity from full-cost to apprenticeships. However, it was noted that the latter would be spread over a longer period and there was a high level of commercial competition for the former within the locality.	
101	Moving the Functional Skills element of the programme to the start had led to increased traction but had been difficult for many students. Attendance had improved for FS but learners needed to study these courses for longer and many employers were reluctant to release them for this purpose.	
102	The College's commercial activity was currently generating an overall deficit of £173k arising from income shortfalls in all areas except In-house catering (compared to a deficit of £262k at the same point in 2022/2023). In-house catering was performing better than planned in terms of income (with a positive variance to budget of £21k), as was the Littleton Restaurant but the latter was still making a direct loss. James Norris left the meeting at this point.	

	Resources	
	Human Resources Issues	
103	Governors received a report on HR issues including performance against key indicators. The College's total staffing complement had increased from 865 to 880 since the previous report.	
104	Sickness absence was 3.67% compared to 3.84 at the same point last year, 49% of which was due to long-term absence and was mainly due to minor illnesses and mental health issues (61% of which were classified as work-related). Management had been encouraging staff to create accounts on the TogetherAll platform, but only 4% of licences were currently active against the target of 15%.	
105	A total of 5 disciplinary and grievance cases had been undertaken, including one dismissal for gross misconduct for safeguarding reasons which was being kept under review with the Local Authority Designated Officer.	
106	Staff were now able to report low level safeguarding concerns on the MyConfide system, in addition to the new safeguarding software (MyConcern). The Committee was assured that the College had sufficient resources to deal with any issues highlighted under this system and that it was not anticipated that there would be many concerns raised initially, but this would be tracked and information would be brought to future Committee meetings.	NP
107	Governors were advised of several initiatives to increase staff engagement and well-being, including better and more frequent communication and leadership and management training. Solutions to address the issues raised in the latest staff survey were being devised and discussed in team meetings and an overarching action plan had been prepared which would enable managers and governors to assess progress and the respective impact of each measure.	
108	Within the survey the most significant issue for staff was flexible working, which was being considered at the moment by SLT.	
109	A governor reported that he was aware that some staff felt that their contributions were not suitably recognised and that the executive was insufficiently visible around each College site. Management responded that the latter was difficult to achieve due to the multi-site nature of the College's operations and it was important to manage staff expectations. A new system for thanking staff for their efforts had been introduced, together with an employee discount scheme.	
110	From the 65 current vacancies, 21 of which were at the pre-employment stage. A total of 33 were for business support posts, with a further 24 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.	
111	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 January 2024 was 6.8%.	

112	It was agreed that future HR reports would feature much earlier on the agenda. Natalie Priest left the meeting at this point. Estates	LV
113	The Director of Operations presented an update on estates issues.	
114	Practical completion on the Green Lane campus had been achieved on 24th November and had been available for students from 4th December 2023. There had been a slight overspend on the project (£6.5m against the agreed cost profile of £6.2m), but the Committee was content that the finished building was of a high standard. The terms of reference and the limits within the Financial Regulations meant that the variance in expenditure compared to the budget required approval by the Corporation.	
115	The Committee asked that a more detailed explanation should be included in the report that was submitted to the Corporation for its approval. It was also noted that the next meeting of the CPWG would take place at Green Lane.	DR
116	Resolved – That the Corporation be RECOMMENDED to approve the variation to the budget for the Green Lane project	
117	As a consequence of cost inflation since 2020 the College could not now proceed with the Electric Vehicle Centre (EVC) as originally planned, but it was possible that additional funding would be available from the local authority under the national Levelling Up Fund, which would have to be spent by March 2025.	
118	A business case was being prepared for the Adult Learning Centre in conjunction which would likely be submitted to the Corporation for approval in July 2024. A firm of architects and the design team had now been appointed recently by the local authority.	DR/ MB
119	The College's intention had been to dispose of the lease on the Green Lane Annex site in January 2025, with no further extension planned as the space available at that point would be sufficient for the needs of learners.	
120	Governors were advised that some of the building services in the Wisemore Campus were approaching the end of their natural lifespan. A replacement strategy for each element was being prepared and would form part of the overall Capital and Financial Plans.	DR/ MB
121	It was noted that, due to the likely need to make decisions quickly on significant capital projects, a more efficient but controlled method of gaining governor approval would be devised and proposed for approval by the Corporation.	DR/ MB/ LV
122	The amount of long-term return on any ongoing expenditure would need to be determined to ensure that the College received the best value for any capital outlay. Following the reclassification of colleges to the public sector by the Office for National Statistics this would provide a good indication as to how best to spend remaining reserves to benefit learners.	

123	As reported at the previous Committee meeting, tender processes had been undertaken for the supply of cleaning and security services and energy, which complied with the Public Sector Tender Process regulations.	
124	In terms of cleaning services, the incumbent firm, Bespoke Cleaning Services, had been successful, with a cost of £2.7m over the next 3 years, with an option to renew the contract for a further 2 years. The cost for the current year was £768K, compared to year 1 of the new contract of £867K. Governors were advised that this increase was due to the contractor's staff receiving the Real Living Wage (in line with the College's staff). In response to questions about feedback from staff on the current level of service the Director of Operations & Resources reported that there had been no issues.	
125	From a total of 3 bids, the current contractor, Corps, had been successful in the tender process for security services. The value of this contract was £2.016m over a 3 year period, with a further possible extension of 2 years. This compared to £700K in 2023/2024.	
126	Further discussions were scheduled with the preferred supplier over the next couple of weeks. Consequently, Chair's action was requested to approve the final contract, as this would need to commence prior to the next Committee meeting and this would allow for any handover.	
127	The Principal commented that there had been a significant change of personnel this year and it had taken some time for the new appointees to settle into their roles. Governors asked whether management felt that the number of Corps' staff on duty was sufficient and had the appropriate balance of skills to deal with any issues. An assurance was given that Corps had responded well to any incidents, but monitoring the building entrances was an ongoing concern. The security manager had been transferred to the College's payroll as this was more cost effective and was working well.	
128	A governor questioned whether the security staff were responsible for the areas outside of the College boundary and about the relationship with the local police force. The Principal responded that there was a highly positive relationship with the local police, who were encouraged to visit the College's premises. The College was a member of the Town Centre Radio Scheme, but the security staff could not be expected to patrol the areas beyond the College's site.	
129	The final tender process to be considered at this meeting was for energy and it was noted that the market for this product was now stabilising and costs were reducing. The contract had been tendered using the Crescent Purchasing Consortium framework and 2 suppliers had submitted tenders. This was for a 12 month contract at a fixed price per unit.	
130	Governors were asked to approve completion of contractual arrangements using Chair's action due to the volatility of the market and recognised that the actual cost would be finalised on the date of the contract being signed. The Committee approved the contract subject to it being within 3% of £1.282m quoted in the report. If the cost exceeded this threshold, Chair's action was required.	

131	Resolved - 1 That Bespoke Cleaning Services be appointed as the College's cleaning contractor for a 3 year period with effect from 1st August 2024, with an option for a further extension to a maximum of 2 years 2 That, subject to the outcome of further discussions, The Corps Ltd be appointed as the College's security services provider for a 3 year period with effect from 1st April 2024, with an option for a further extension to a maximum of 2 years 3 That delegated authority be given to the Chair of the Committee to approve the final contractual arrangements with Corps Ltd 4 That Dukefield be appointed as the College's energy supplier for a 12 month period from 1st April 2024 at a maximum cost of £XX + 3% 5 That if the cost of the energy contract exceeded £2.016m + 3%, the Chair be given delegated authority to approve the contract 6 That a review of the delegated authority levels within the Financial Regulations be undertaken with any proposals submitted to the Committee's June meeting Deb Rajania left the meeting at this point.	
Treasury Management Update		
132	The Head of Finance advised that after careful consideration of the College's Treasury Management arrangements no changes were proposed to the Policy.	
Budget-Setting Process for 2024/2025		
133	The Director of Finance & MIS presented a report on the budget-setting process for 2024/2025. This included a number of assumptions, such as an EBITDA of more than 4%, a 'Good' financial health rating and lower staff costs.	
134	The latter would require some in-year flexibility and the College needed to find a way of engaging additional capacity throughout the year rather than being committed to having a larger staffing cohort for the whole period. This was particularly important in areas such as Care, Maths and Electrical Engineering where there was currently a shortage of skilled lecturers. The College's Harmonised Pay Scales were relatively fixed for most teachers irrespective of vocational discipline, making significant market rate adjustments difficult with them unlikely to be viewed as fair and equitable by most staff under the current agreed pay arrangements. Stuart Pedley-Smith left the meeting at this point.	
HE Tuition Fees 2025/2026		
135	The Head of Finance presented outline proposals on HE Tuition Fees for 2025/2026 which had been prepared following the introduction of Higher Education Fee Limits Bill that received royal assent in September 2023.	

136	This new legislation would change the way in which the HE will be funded from the 2025/26 academic year. Students will have a maximum tuition fee loan entitlement of £37K (although this could be higher for subjects such as Medicine which took longer to complete).	
137	Any student that has already studied at Level 4 and above prior to the start of the academic year will have a reduced maximum entitlement. However continuing students from 2024/25 will still be funded under the existing HE and FE funding rules.	
138	FE loan funding will not be available to students of colleges that are OfS registered, which includes Walsall College. However, it was not yet clear whether these courses will transfer to the LLE and it was possible that some current courses could be discontinued in terms of funding.	
139	A credit-based method for setting fee limits would be introduced for all full or part time programmes. This meant that the maximum loan funding for any particular course will be directly related to the amount of study hours, rather than the number of academic years of the course.	
140	The Office for Students will set a maximum financial amount per credit and a maximum number of credits per course, as well as the maximum that can be charged in any one year of a course. Each course will have its own financial limit per credit as well as the number of credits. The financial limit may also be lower for providers who do not have 'a Teaching Excellence Framework (TEF) award and/or an approved Access and Participation Plan (APP). The College currently has an approved APP but not a TEF award, so the maximum financial limit per credit would not apply.	
141	It was agreed that provisionally the current maximum level of HE tuition fees would be applied to 2025/2026 programmes. Once further information was available from the Office for Students, the Committee would have a further discussion and make a recommendation to the Corporation.	JL
142	Resolved – That a provisional maximum tuition fee of £6K be set for the 2025/2026 academic year, with further discussion to be undertaken by the Committee once the relevant information had been published by the Office for Students.	
Commercial Activities Update		
143	The Director of Finance & MIS presented an update on commercial activities across the organisation. It was noted that the in-house catering service was performing well and the issue of setting a break-even budget for the Littleton Restaurant in 2024/2025 would be brought back to the Committee for consideration.	MB
144	The College had started to use the sports hall for more large-scale events. The performance of the salons was currently under review to assess the quality of the student experience and ensure that it was not being subsidised by core provision. Although throughput had increased compared to July 2022 the salons were still projected to make a deficit of £250K by the end of the academic year.	
Date and Time of Next Meeting		
	7 th May 2024, 10.00 a.m.	

	It was agreed that the report on apprenticeships and commercial development would be included in the management accounts/finance report in future.	
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