

Minutes of Finance and General Purposes Committee Meeting

held on Wednesday 16 June 2021

Present Amanda Allen (*Chair*), Andrew Dobson (*Principal*) Joanne Chilton, Gail Rothnie

In attendance Jacquie Carman (*Director of Finance and Corporate Services*)
Jennifer Sunter (*Clerk to the Corporation*)

1		Apologies for Absence
		There were none.
2		Declarations of Interest
		There were none.
3		Minutes
	3a 3b	Minutes of the Finance and General Purposes Committee held 17 March 2021 Matters Arising from the Finance and General Purposes Committee held 17 March 2021
		The minutes of the Finance and General Purposes Committee held 17 March 2021 were approved as a correct record. Matters Arising: The Clerk reported that actions re reporting Value for Money and performance against new FE Commissioner Benchmarks were addressed under the current meeting agenda.
4		Financial Performance
	4a	Management Accounts 2020/2021 as at 30 April 2021
		Jacquie Carman reported that the College was meeting financial targets and that financial health remained outstanding. The reserves were maintained at a level to allow the College to remain agile. The position was noted.
	4b	Current Year Budget Update
		Members noted that the current year surplus was in line with the initial budget forecast, however changes to income and expenditure had been more turbulent. The College should meet all targets, however pay as a percentage of budget was close to the threshold of 60%. Under changes to the model, it was noted that: <ul style="list-style-type: none"> The College had sought recovery costs for the Covid test centre and was seeking a further £6,000 for exceptional costs.

		<ul style="list-style-type: none"> Apprenticeship income had notably dipped, due to the impact of the pandemic on apprentice starts together with breaks in learning of apprentices, particularly in the National Health Service. Both loss of commercial income and the pay award had been included. <p>Members interrogated the detail of changes to the budget, particularly increases in costs. Jacquie Carman outlined the basis for the large increases in agency fees, addressing payroll software, legal fees, banking charges and increased cleaning. Additionally, increased internal audit had been undertaken to address work carried forward from the previous year.</p> <p>Members also asked about exam costs and College coaches. Jacquie Carman responded that the exam costs remained prudent, as any rebates were yet unknown and explained changes to the coach service.</p>
		The Finance and General Purposes Committee approved the revisions to the revenue budget at Budget Review 3 2020/21 as reported.
	4c	New FE Commissioner Benchmarks – Review of Performance
		<p>Jacquie Carman explained the change in emphasis for both the FE Commissioner and ESFA in gauging financial health for Colleges. The focus was placed on debt service cover ratio and the ability of a college to generate cash.</p> <p>In looking at the new benchmarks the College retained outstanding financial health but EBITDA as a percentage of income was closer to the benchmark.</p> <p>Andy Dobson noted the College's strong financial position in comparison with a large proportion of the sector. While the focus of the FE Commissioner's office was on better financial health in Colleges this was not underpinned by government funding.</p> <p>Members considered the importance of retaining outstanding rather than good financial health. Jacquie Carman listed the advantages including agility to address need, such as the quick response to support learners during the pandemic and supporting capital bids.</p> <p>Members asked if outstanding health could be a barrier to access additional funds and at what point intervention was triggered. Jacquie Carman responded that the position on financial support had changed and that colleges were now more micromanaged. A position of financial decline or inability to forecast a valid model would trigger early questioning.</p> <p>The report was noted.</p>
5		Budget and Financial Plan
	5a	Draft Budget for 2021/2022
		<p>Jacquie Carman presented the draft budget which forecast a surplus of £436,184, EBITDA of 8.53% and pay as 59.99% of income. The budget included an increase of funding in relation to the lagged funding model. There was also an increase in high needs funding however, this would not cover the actual increase in learners.</p> <p>Risks to the model were pay, in year unmanageable growth, Apprenticeship and HE growth. Non-pay costs were being contained through efficiencies where possible.</p> <p>Risks notwithstanding, the model was stable, and the budget was challenging yet achievable.</p> <p>Members sought clarification on growth, which was from demographics and some competition with other providers and understood the challenges in</p>

		<p>balancing growth with in-year affordability, particularly pressure on the pay model.</p> <p>Members further discussed pressures caused by exponential growth in high needs learners and the current funding model which was a national issue that should be raised.</p> <p>Questions were asked on the impact of the national living wage being incorporated into the model, staff recruitment costs, administration costs and transport costs.</p> <p>Jacque Carman reported that the College aimed to build a bank of sessional staff to realise efficiencies and that some costs under support staff referred to learner support roles.</p> <p>Members discussed the provision of free buses and future considerations of a more integrated scheme, given that some travel routes to College were very well served by public transport links. Annual costs of the free coach scheme, (which was now integral to the College's offer and was a unique selling point) were being considered.</p> <p>Members also asked if the transport costs were part of costed curriculum and noted that this along with other aspects such as room usage, were too variable.</p> <p>The Chair asked if management were satisfied enough had been done to challenge non-pay costs. Jacque Carman responded that much work had been done particularly on estates.</p> <p>It was noted that for the senior management team the costed curriculum was key in considering where there was the most impact on the learner.</p>
		The Finance and General Purposes Committee agreed to recommend to Corporation the 2021/2022 Revenue Budget for approval.
	5b	Costing the Curriculum and Resource Deployment
		<p>Jacque Carman outlined the basis and approach to costing the curriculum with greater transparency, understanding and ownership within course areas. This first year to a new approach for the College had been addressed sensitively, understanding and recognising the variation in course resource and staff costs.</p> <p>While the sector benchmark for financial resilience, that of 50% contribution from curriculum areas had been utilised, the costing exercise had illustrated a range between 23% and 68%. As some areas may be able to raise their contribution going forward, some higher contributing areas may need to consider greater investment in their areas. Managers now waited to see how the costed curriculum translated into actuals in the autumn term.</p> <p>Members welcomed the model and report which they found very informative and useful. Key questions pertained to the benchmark and comparisons with Higher Education. It was felt that the model needed to remain sensitive and not be divisive between academic and support staff.</p>
	Action 5b	In considering monitoring a report on curriculum costing, a report on the actual costings would be provided for the Committee's November meeting.
		The report was noted.
	6	Financial Forecasts
	6a Verbal report	ESFA – College Financial Forecasting Return
		Jacque Carman reported that the financial forecast would be completed and submitted with the budget for 2021/2022 by 31 July 2022.

7		Subsidiary Companies
	7a	Update on Halesowen College Enterprises Limited
		<p>Members received the summary of the current position for Halesowen College Enterprises Limited, noting the upward turn in trading outlets with students returning to site.</p> <p>The College Bistro had been innovative and performed well. The Nursery had increased take-up of places, but it was noted that a review following a normal period of trading would be prudent.</p> <p>Jacque Carman reported that the College had pursued an insurance claim for business interruption.</p> <p>Members were reminded of the College support provided and the going concern assurance.</p> <p>Jacque Carman further noted a forecast modest profit for 2021/2022.</p> <p>The report was noted.</p>
	7b	Gift Aid
		Members noted the required accountancy treatment, should any profit be covenanted to the College.
		<p>The Finance and Resources Committee noted that the Directors of Halesowen College Enterprises Limited will determine that the value of any covenant to be made to Halesowen College from any 2020/21 surplus, should be 100% (following any adjustment for taxation).</p> <p>The Finance and General Purposes Committee, recommended that the Corporation approve the accounting treatment of a covenant where made from Halesowen College Enterprises Limited, to Halesowen College from 2020/21 surplus.</p>
8		Student Financial Support
	8a	Review of Student Financial Support Policy
		<p>Jacque Carman emphasised that focus remained on clear policy and procedures to get the strands of financial support to learners most in need.</p> <p>A more holistic package was planned to include better promotion of the fund and address current fluctuation in access.</p> <p>Members asked if funds could be carried forward if not used. Jacque Carman confirmed that there was some scope and that the current year underspend was not typical. The College was seeking permission to use underspend to support digital grants.</p> <p>The report was noted.</p>
9		Value for Money
	9a	Value for Money Dashboard and Policy
		<p>Members received Jacque Carman's outline of a revised reporting approach for value for money. This measured performance against contract, success rates, staff deployment, class sizes, room usage and curriculum contributions.</p> <p>Members noted the helpful format for the committee to monitor.</p> <p>While most areas were green, performance against contract was mixed regarding Adult Learner funding and Apprenticeships. Retention was also variable.</p>

		The Finance and General Purposes Committee agreed to proceed with the revised reporting arrangements for Value for Money.
10		Estates Strategy
	10a	Estates Strategy Update
		<p>In considering the Estates Strategy the Chair asked for clarity on the aims and objectives in the short, medium and long-term trajectory.</p> <p>Jacquie Carman outlined overarching aims for the College being an attractive place to learn, supporting the curriculum offer and providing a good experience, with good maintenance and work towards reduction in environmental impact.</p> <p>Members noted the position and plans regarding;</p> <ul style="list-style-type: none"> • the refurbishment of the ground floor of Block 1, to accommodate specialist facilities for new digital curriculum, being funded from reserves • a bid to fund refurbishment of Shenstone House as a Life Science and Health Centre of Excellence and to placing of Hair and Beauty in Halesowen Town Centre • a bid for the replacement of mobile classrooms with a new building • providing a coach turning circle as part of the transport management strategy • consideration of alternative energy sources. <p>Members asked questions on details and impact of the schemes proposed. The nature of bids and funding meant that greater detail and visual images, such as architects' drawings, would not be developed at this early stage, while the Estates Strategy was necessary to support bids.</p> <p>Successful bids would be provided to Corporation for more detailed consideration and approval of costs.</p>
		The Finance and General Purposes Committee approved the updated Estates Strategy.
	10b	Report on Capital Programme 2021/2022
		<p>Jacquie Carman outlined the key elements of the capital programme works both for premises and equipment for 2021/2022. This included remodelling work of the Block 2 Student Hub, creation of a four-bay hospital ward, creating a safer digital environment at Shenstone House and Coombs Wood and a rolling replacement programme for the Apple Mac suite of equipment.</p> <p>Investment in digital signage was also reported, which would support information for students, including for College coaches, event information such as Open Days and evening performances.</p>
		The Finance and General Purposes Committee approved the capital programme of £456,000, as included in the budget.
11		Staff Pay
	11a	Report on Pay Spine and Impact on National Minimum Wage
		<p>The Chair welcomed the report addressing the impact of the rises in the national living wage on current pay grades.</p> <p>Jacquie Carman confirmed that currently the differential between the national living wage and the lower end of the College pay spine was very little. This included most of the non-managerial support staff. The recommended recalibration of the pay spine was detailed and noted to be of benefit to staff on</p>

	lower grades, at an overall cost of £42,00. This had been incorporated into the budget and consultation with the Staff Council had been positively received. Andy Dobson emphasised that it was the right action to take as a responsible employer wishing to work towards the Foundation Living Wage and that the action maintained differentials at the bottom of the pay spine.
	The Finance and General Purposes Committee approved the recalibrated pay scale with effect from 1 September 2021.
12	Any Other Business
	There was none.
13	Date of Next Meeting
	The date of the next meeting would be confirmed under the calendar for 2021/2022, to be approved on 30 June 2021.

Actions from Meetings			
Ref	Agenda item and action	Date/item for review	Reported by
Finance and General Purposes Committee - 24 November 2020			
4.5a	Value for Money Report 2019/2020 A mid-year review on value for money to be provided for the Committee in March 2021, inclusive of current information, should give due regard to recommendations in the White Paper, 'Skills for jobs: lifelong learning for opportunity and growth'. Deferred until June 2021	March 2021 June 2021	JCa Closed.
Finance and General Purposes Committee - 17 March 2021			
5c	New FE Commissioner Benchmarks The Financial and General Purposes Committee noted this report and agreed to revisit performance against these benchmarks at budget revision 3 2020/21 and once the 2021/22 budget is presented for approval.	June 2021	JCa Closed.
Finance and General Purposes Committee – 16 June 2021			
5b	Costing the Curriculum and Resource Deployment In considering monitoring a report on curriculum costing, a report on the actual costings would be provided for the Committee's November meeting.	November 2021	JCa