

## Minutes of the Finance and Resources Committee Meeting

**Held Tuesday 21 June 2022**

*Present* Andrew Hanson (*Chair*), Andrew Dobson (*Principal*), and Joanne Chilton.

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

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| <b>1</b> |            | <b>Apologies for Absence</b>  |
|          |            | Apologies were received from Thomas Huntbatch.  |
| <b>2</b> |            | <b>Declarations of Interest</b>   |
|          |            | All staff members present declared their interest in agenda item 4.3a Staff Pay.  |
| <b>3</b> |            | <b>Minutes</b>  |
|          | <b>3a</b>  | <b>Minutes of the Finance and Resources Committee held 16 March 2022 and Matters Arising.</b>   |
|          |            | <p>The minutes of the Finance and Resources Committee held 16 March 2022 were approved as a correct record.</p> <p>Matters Arising</p> <p>Under the meeting held 24 November 2021, it was noted that:</p> <p>7a, Estates Strategy, the outcomes of the consultant were embedded in the report provided under the agenda.</p> <p>10a Students' Union Annual Accounts, a report on student engagement would be provided alongside the next review of accounts.</p> <p>Under the meeting held 16 March 2022, it was noted that:</p> <p>4.1a Management Accounts, the position report underpinning retaining outstanding financial health had been addressed with a report to the Corporation in March 2022.</p> <p>5.1a Budgeting Policy, the Green Travel Survey was due to be provided to the Corporation July 2022.</p> <p>There were no further matters arising.</p> |
| <b>4</b> |            | <b>Performance</b>  |
|          | <b>4.1</b> | <b>Management Accounts as of 31 May 2022</b>  |
|          |            | <p>Members considered the financial position as illustrated in the management accounts provided as at 31 May 2022. Key performance indicators were predominantly green, with one remaining amber against the forecast EBITDA performance, which was below the sector benchmark for outstanding financial health of 8%. The overall financial health of the College was still strong and together with other ratios provided outstanding financial health. However, the College remained vigilant that EBITDA should not slip below 7%.</p> <p>Jacquie Carman confirmed that there were no new trends to report and that the College remained on course to achieve the financial targets and the forecast surplus.</p> <p>Members noted the position.</p>  |

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| 4.2 | <b>Funding Update</b>  |
|     | <p>Jacquie Carman reported on two key funding changes:</p> <p>Apprenticeship off the job training had been changed from at least 20% to 6 hours per week, and while this should be easier to evidence, it remained a risk to funding if not complied with.</p> <p>That the delivery of required additional 40 hours in relation to the ESFA increased rate of funding for 16-18 study programmes, was provided to aid educational recovery. The additional hours based on the recommended hours in the learning aims database had been incorporated into the timetable for 2022/2023 and would be applied to meet student needs, with maths prioritised, together with wider support for mental health, wellbeing or study skills.</p> <p>Members asked about the challenges in capturing evidence of apprenticeship off the job training. Jacquie Carman highlighted that a self audit of all apprenticeships had been undertaken. The audit had raised seven students who were legacy learners, for whom this was proving difficult to provide evidence and the student record may need to be amended. Moving forward the rapid improvement plan for Apprenticeships included the developed use of recording systems to capture evidence records. A further audit would be undertaken in 2022/2023.</p> <p>Members asked about delivery of the additional 40 hours per student being in person or online and if this impacted on space utilisation. Jacquie Carman responded that the critical mass would be in person delivery, as was now expected, and that this did place increased pressure on the management of the estate.</p> <p>The update on funding was received.</p> |
| 4.3 | <b>Budget Update 2021/2022</b>   |
|     | <p>Members considered the final review of the budget for 2021/2022 noting that this had incorporated the proposal for a one off pay reward and Skills Accelerator funding.</p> <p>In looking at performance, pay as a percentage of income had fallen below 60%, due to the number of current vacancies and EBITDA remained close to, but below the 8% benchmark.</p> <p>The financial position remained strong and the forecast outturn was in line with the original budget, however, this belied much fluctuation in year.</p> <p>In considering pay as a percentage of income members questioned the number of vacancies in comparison with previous years, other colleges and staff recruitment. Jacquie Carman reported that there had been successful recruitment to multiple vacancies and while the position compared well with the sector, it was still an increasing risk with school and industry roles offering higher salaries.</p> <p>Members were mindful of the impact on students of vacant posts and subsequent use of agency staff. It was also noted that the cost of agency staff usage had unavoidably risen over the previous year.</p>  |
|     | <p>The Finance and Resources Committee noted the risk factors and approved the revisions to the revenue budget for 2021/22 and resolved that the Corporation should be alerted through the minutes that there was a risk that the target of</p>  |

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|  |             | EBITDA may fall short of the 8% by a nominal amount. However, this should not impact on the overall judgment of financial health  |
|  | <b>4.3a</b> | <b>Pay Update- Confidential</b>   |
|  |             | Members discussed in detail the basis of an additional one-off non superannuated pay award.<br><br>Members noted the current AoC pay recommendations and the most recent information regarding teaching and support staff union positions.  |
|  |             | The Finance and Resources Committee recommended to the Corporation that an amount of money be distributed to the staff of Halesowen College, based on the following conditions: <ul style="list-style-type: none"> <li>• After accounting for the award and the associated employers on costs of National Insurance, the overall value to staff does not exceed £170,000.</li> <li>• By paying the award the College continues to realise outstanding financial health.</li> <li>• That the award would be calculated as of 31 July 2022 and accounted for in the 2021/22 financial year.</li> <li>• That the award be allocated as a flat rate lump sum to each member of staff (pro rata for fractional and term time staff),</li> <li>• To be paid in the October salary.</li> <li>• That staff eligibility be governed by the stipulations as outlined in the report to the Corporation.</li> </ul> |
|  | <b>4.4</b>  | <b>Value for Money</b>  |
|  |             | Members noted the shift in performance against the value for money measures which reflected the impact of challenges around funding, accommodation, student attendance and retention.<br><br>As considered by the Students, Curriculum and Quality Committee, achievement rates would be impacted by exam discomfort and in some cases non-attendance. Additionally attendance had dipped despite a range of measures taken, therefore a new approach was being applied to the next academic year.<br><br>Jacquie Carman highlighted that a new measure against student destinations was being incorporated, based on standard measures used across the Further Education sector. Members discussed the complexities involved in measuring meaningful progression and value for students.   |
|  |             | The Finance and Resources Committee discussed and approved the approach to value for money with value for money drivers linked with the costed curriculum plans.  |
|  | <b>4.5</b>  | <b>Review of Student Financial Support</b>  |
|  |             | Jacquie Carman outlined the strands of financial support that students can access and the College approach to distribute support where it is most needed.<br><br>Key points included that there was a reduced fund for adult student support, that income thresholds in the banded funding approach had been adjusted to recognise the increase in National Minimum Wage and that the range of support needed to be effectively promoted to students and parents.   |

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|  |            | Members were also informed of the update to student transport which was related to behaviour and attendance.  |
|  |            | The Finance and Resources Committee approved the refreshed procedures and noted the key aspects of the learner support funds.   |
|  |            | <b>Subsidiary Company</b>   |
|  | <b>4.6</b> | <b>Halesowen College Enterprises Limited Business Plan and Memorandum of Understanding</b>  |
|  |            | <p>The Memorandum of Understanding detailed the relationship between the College and its wholly owned subsidiary Halesowen College Enterprises Limited. Members acknowledged the importance of clarity in that the College could not subsidise the company.</p> <p>The Halesowen College Enterprises Limited Business Plan was received, noting the business objectives and the projected operating surplus.</p> <p>Both the Halesowen College Enterprises Limited Business Plan and the Memorandum of Understanding were noted.</p>  |
|  | <b>4.7</b> | <b>Gift Aid</b>   |
|  |            | Having considered the accounting approach members moved the resolution.   |
|  |            | The Finance and Resources Committee recommended that, following the determination of the of Halesowen College Enterprises Limited Directors that the value of any covenant to be made to Halesowen College from any 2021/22 surplus should be 100% (following any adjustment for taxation), the Corporation approve the accounting treatment of the covenant as outlined.   |
|  | <b>5</b>   | <b>Financial Planning</b>   |
|  | <b>5.1</b> | <b>Draft Budget 2022/2023</b>   |
|  |            | <p>Jacquie Carman reported on funding income:</p> <ul style="list-style-type: none"> <li>• ESFA finding had increased based on the lagged model and with the increase to the base level of funding.</li> <li>• WMCA had cut allocation based on based on 2020 student numbers.</li> <li>• Apprenticeship funding was static, reflecting a period of cous on improving quality.</li> <li>• Higher Education income, also based on a lagged model was not expected to increase until September 2023.</li> </ul> <p>Members noted that there were challenges to address rising costs. The budget reflected rises in exam costs, travel expenses and student visits post pandemic.</p> <p>Agency staff pay costs had been recalibrated downwards and the College worked with a specialist agency on utilities costs.</p> <p>The impact of the current year pay award and increased national minimum wage on the new year budget were included. A contingent for a potential pay award consideration was also recognised.</p> <p>Preparation for rises in pension costs remained pending outcomes of actuarial review, however, it was noted that the impact could be significant.</p> |

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|          |            | <p>Members asked if the reduction in the training budget was pertinent given the need to support rising quality. Andy Dobson responded that the slight reduction for 2022/2023 reflected a reduction on the current year's increased costs, not least to address early changes to the Ofsted inspection model. The College training offer was very good in comparison to the sector.</p> <p>Members noted key risks to the budget model including student recruitment and retention, changes to funding methodology, rising prices and pay costs.</p> <p>Members noted the key headlines on forecast performance of a surplus of £307,169, EBITDA of 7.35% (against the target of 8%) and pay as a percentage of income of 59.69% (against a target 61% ceiling) and that budget revision one remained pivotal.</p> |
|          |            | The Finance and Resources Committee recommended to the Corporation the approval of the Revenue Budget 2022/2023.  |
|          | <b>5.2</b> | <b>Pensions Update</b>  |
|          |            | <p>Jacque Carman outlined the timetable and key risks associated with the Local Government Pension Scheme (LGPS) 2022 Actuarial Valuation. While the financial impact was unknown, pension liability was mounting and could pose a significant risk moving forward.</p> <p>A range of actions were outlined to assist in mitigation of risk, not least being able to provide accurate data.</p> <p>The Committee noted the pension update and that more information would be provided in the autumn, and that should the timetable for valuation be realised, the changes may be incorporated into budget revision 1.</p>   |
| <b>6</b> |            | <b>Review of Strategy/Policy/Framework documents</b>  |
|          | <b>6.1</b> | <b>Estates Strategy- Planning and Capital Update</b>  |
|          |            | <p>Jacque Carman outlined the basis of updating the Estates Strategy to both reflect the current position and the drivers of the strategic plan. Current uncertainties were recognised but the needs of the students, community usage and the impact on the environment were key considerations.</p> <p>Options in moving the capital schemes forward were sequenced and outlined. Options were dependent on a complex blend of factors including property availability and planning restrictions.</p> <p>Regarding capital schemes members asked about borrowing and Jacque Carman confirmed that having significantly reduced borrowing the College was in a good position and that further borrowing would not impact on the College's outstanding financial health.</p>   |
|          |            | The Finance and Resources Committee noted the current position with the capital schemes and approved the refreshed Estates Strategy.  |
|          | <b>6.2</b> | <b>Environmental Strategy</b>   |
|          |            | Members welcomed the updated strategy and the streamlined energy and carbon report.   |

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|          |            | <p>Jacquie Carman highlighted the importance of understanding the strain placed on the environment by the College's activity and work undertaken to minimise this.</p> <p>The College had good engagement with its own environmental group and progress included increasing biodiversity, recycling waste and reviewing energy consumption.</p> <p>Members discussed the challenges in reducing paper consumption.</p> |
|          |            | The Finance and Resources Committee approved the Environmental Strategy and noted the streamlined energy and carbon report, which will be utilised as a baseline against which future improvements can be measured.  |
|          | <b>6.3</b> | <b>Treasury Management Policy</b>  |
|          |            | <p>Members considered the updated Treasury Management Policy noting the objectives to minimise risk and ensure access to funds, while gaining the best return and maintaining statutory and regulatory compliance.</p> <p>Banking credit ratings had been checked and while the banking industry was more stable, there remained a small element of risk.</p>  |
|          |            | The Finance and Resources Committee approved the revised Treasury Management Policy.   |
| <b>7</b> |            | <b>Governance</b>  |
|          | <b>7.1</b> | <b>Review of Committee Terms of Reference and Cycle of Business</b>  |
|          |            | Members agreed that the Finance Committee Terms of Reference remained fit for purpose and no change was recommended.   |
| <b>8</b> |            | <b>Any Other Business</b>  |
|          |            | There was none.  |
| <b>9</b> |            | <b>Date of Next Meeting</b><br>To be determined under the calendar for 2022/2023.  |

**The meeting Closed at 7.30pm**

| <b>Actions from Meetings</b>                                     |  |                                    |               |
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| <b>Finance and General Purposes Committee – 24 November 2021</b> |  |                                    |               |
| 7a   | <p><b>Estates/Capital – Estates Strategy</b></p> <p>It was felt that a review of Estates Strategy should be undertaken with consideration of growth and in light of the new College Strategic Plan</p> <p>Update received March 2022.</p> <p><i>Report from consultant on Estates incorporated into Estates Strategy planning Update</i></p> | <p>March 2022</p> <p>July 2022</p> | JCa/ADo       |
| 9a   | <b>Procurement Policy</b>  | March 2022                         | JCa<br>Closed |

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|  | The Finance and General Purposes Committee asked that a further review be returned to the Committee.   |  | March 2022                    |
| 10a  | <p><b>Students' Union Annual Accounts</b></p> <p>A further report on student engagement and the Students' Union would be returned to the Committee</p> <p><i>To be deferred and provided alongside accounts Autumn 2022</i></p>          | <del>March - June</del><br>November 2022 | JCa/ADo                       |
| <b>Finance and Resources Committee – 16 March 2022</b> |  |  |                               |
| 4.1a   | <p><b>Management Accounts as of 28 February 2022</b></p> <p>It was agreed that an overarching position update would be provided for the Corporation regarding Outstanding and Good Financial Health categorisation.</p> <p>Achieved.</p> | March 2022                               | JCa<br>Achieved<br>March 2022 |
| 5.1a   | <p><b>Budgeting Policy 2022/2023</b></p> <p>It was agreed that the results of the Green Travel Survey would be provided for the Corporation.</p>   | July 2022                                | JCa                           |