NOT FOR PUBLICATION
Minute Nos. F23.15

SANDWELL COLLEGE

Minutes of the Finance & Strategy Committee meeting held on Thursday 16 February 2023, 4.00pm

Present:	K Ellis	Independent Governor
	G Pennington	Principal
	P Stanaway	Independent Governor
	A Taylor	Independent Governor (Chair)
In attendance:	J Bailey	Exec Director, Finance and Corporate Resources
	B Beaty	Exec Director, HR and OD
	S Griffiths	Exec Director, Strategy and Projects
	D Holden	Vice Principal, Curriculum
	E Scotford	Clerk to the Corporation
Apologies:	R Barrett-Price	Director of Estates Development and Capital Projects

		Action
F23.1	**Welcome and Apologies**	
	All present were welcomed to the Committee. Apologies were also received from Roland Barrett-Price.	
F23.2	**Declarations of Interest**	
	There were no declarations of interest.	
F23.3	**Minutes of the Finance & Strategy Committee meeting held on 24 November 2022**	
	RESOLVED THAT: The minutes were approved as a true and accurate record and were signed by the Chair.	
F23.4	**Matters Arising**	
23.4.1	Minute No. F22.28.2 – managing capital risks to be a standing agenda item – actioned.	
23.4.2	Minute No. F22.33.7 – contact information to be shared – actioned.	
F23.5	**Capital Projects update**	
23.5.1	**Cadbury projects**	
	The Cadbury projects were all progressing well and to schedule. The College's dialogue on the project with the DfE continued because of the complexities of the funding stream.	
23.5.2	**Engineering Centre, West Bromwich**	
	Work continued and on time and on budget.	
23.5.3	**Centre of Excellence in Health, Smethwick**	
	The Vice Principal and the Director of Strategy and Projects recently met with the local MP, James Morris, to update him on the project.	

	Governors noted there had been a change of architects which had pushed the project back. The College reminded Governors that it was not leading on this project. It was an increasingly complex management structure with a management group and various sub committees.	
23.5.4	**Training and Education Centre, Cradley Heath**	
	The project was rated Amber because, as reported at the last meeting, the funding agreement had not yet been completed as it was important that this development was in the College's best interests as well as the local authority's (LA). The delay provided more time to review the plans to ensure the revenues were favourable. The completion date was currently the winter of 2024 but could slip to 2025.	
	The Board would need to decide whether to proceed with the Cradley Heath project. Costs would be reviewed as this was the last project to commence.	
	Governors asked if there were any significant revenue risks involved in the opening of these projects, given inflationary pressures. The College advised that the budget setting process had commenced and would fully cost out the running of the buildings as well as the income to be gained from them. The growth from the Cadbury developments would form part of the College's plans for each year. There were also a couple of rental buildings that would not be used next year. Costs would be reviewed accordingly.	
F23.6	**<u>Strategic update</u>**	
	Deferred - to be covered in the Principal's report to the March Board meeting.	
F23.7	**<u>Finance Report and Management Accounts</u>**	
	The mid-year monitoring forecast was presented.	
	There had been a change to the management of adult apprenticeships, following the retirement of Shaun Hunt, involving a reallocation of SLT roles, with Julia Stevens now involved.	
23.7.1	Income – the College was targeting £4,189k against WMCA adult income. £1.9m income was likely for apprenticeships compared to a budget of £2.3m which had been adjusted accordingly. This was due to delayed work because of the Covid situation but the economy was settling and there was more clarity than a year ago. ESFA core income had been affected by not achieving the predicted in-year growth number of 200 students so the College was currently not being funded for the 130 students it had achieved. It had submitted a business case to the ESFA justifying why it should honour this funding but they would not because of the methodology. Many of the in-year students recorded between October and January were vulnerable students: i.e. NEET, ESOL. The current challenges with the ESFA were explained. The College would receive the full benefit of those learners next year because of lagged funding so there was a long-term benefit. Reminder given of lagged funding. T level numbers were challenging but were on an upward trajectory. This had led to a slight adjustment of £50k.	

	Governors asked if the refusal of in-year funding was indicating of education funding resistance and would there be any further complications to the College's expansion plans with capital expenditure because of this culture of saving money. The College reassured that it was the standard approach that in-year funding would only be honoured if a college's allocation was exceeded by 200 so it was not automatically entitled to this as it had achieved 135, despite this being an impressive number in the current market. No college in the West Midlands had achieved the minimum threshold.	
23.7.2	Capital grant – in response to a Governor's query about the criteria for building capital grant rules, technical accounting format explained by the Exec Director, Finance & Resources. The auditors were satisfied with the College's approach. Governors were welcomed to submit any subsequent technical accounting questions to the Exec Director, Finance & Resources, outside the meeting.	
	The College advised that Andy Street, West Midlands Mayor was shortly due to visit the College, particularly to view its new electric vehicle provision, in collaboration with other West Midlands colleges.	
23.7.3	Staffing costs – learner numbers were lower than hoped for. Tight control around staffing was already in place but difficult decisions had been made by the Vice Principal and Exec Director, HR and OD, to ensure staffing costs were controlled still further. This involved reviewing replacements to vacant posts rather than more drastic decisions around reducing headcount. There had been some agency costs while decisions were made.	
23.7.4	Energy costs – the budget had been increased to cover increased energy costs and were currently based on the information available at the moment.	
23.7.5	The College had a 4% surplus target which remained a very positive target for the year end. A reduction from 5.1% to 4% still offers substantial headroom and would result in an Outstanding financial health rating.	
	Governors welcomed the full representation of the financial position as this information was crucial given upcoming capital and expansions decisions relating to Terry Duffy House (TD) and Nova training.	
23.7.6	The pension triennial valuation had been received. The previous £700k annual cash payment for deficit reduction/secondary contribution had now been removed however the employer contribution had increased from 19.5% to 21.5% of salary which would impact but the position would still be more positive.	
23.7.7	Governors reviewed the RAG ratings in detail. Governors questioned why the operating surplus was forecast to be off plan but was rated Green. The College explained this was because it was not sufficiently reduced to change the rating from Green – financial health remains Outstanding and positive cash generation. The budget was off plan for a couple of reasons including income and inflationary pressures but remained in an excellent position. The Exec Director, Finance & Resources, would compile a definition of what determined RAG ratings to aid Governors' understanding.	JB

23.7.8	Governors referred to a significant variance against non-pay and asked if that related purely to inflation pressures or to some other pressures. The College confirmed it did to some extent, giving the example of exam costs rises which were now all confirmed so a more thorough review could now take place??	
23.7.9	Governors queried student transport costs. The College advised this was an unexpected consequence of the drive to benefit more learners than before and particularly its success in increasing the number of learners on bursaries, who received bus passes. The team worked with some of the most affected learners. Money had been secured from some small charities so the College had been able to help more learners and could offset some of the bus pass cost.	
23.7.10	Governors welcomed the open and honest presentation of the financial information and being informed and educated about the factors that would affect the College and Governors' financial decision-making responsibilities. The Board was supported by Governors with finance/accounts specialisms who understood any implications. Governors stressed that this approach should continue with the Exec Director, Finance & Resources, successor who should not be afraid to warn Governors of any dangers and implications. The College appreciated Governors' positive comments and reminded them that the 2 key financial indicators remained student numbers, which determined funding levels, and cash projections. The College had strong governance over its capital projects, and was well supported by its Director of Estates Development and Capital Projects. RBP is strong pair of hands, does not go over contingencies. Fundamentally, learner numbers and growth were a key part of the College's core strategy from which it did not deviate.	
	RESOLVED THAT: Governors received and monitored the Finance Report and Management Accounts.	
F23.8	**Insurance cover**	
23.8.1	Governors received and noted the Insurance Cover Annual Report. UMAL was the main insurer, with specialist cyber security insurance being provided by Cyber Safe.	
23.8.2	Governors asked if the College had retendered for its insurance cover. The College explained it had not retendered and had remained with UMAL because the Company provided a secure and reliable service which was particularly useful during the Covid period and they paid out on the business interruption claim. It would, however, probably be worth retendering next year to ensure value for money was being achieved.	
23.8.3	Governors asked if the level of cyber security insurance was adequate. The College advised that it had determined this based on the learning points from the live experience of a local college's recent cyber attack and Jisc on the amount of cover needed rather than advice from an external body. The College had taken a more cautious approach than most colleges so had more extensive cover in place. The ESFA had not issued any guidance to colleges other than to continue with their current arrangements.	
23.8.4	The internal auditors conducted a cyber security risk last year which was presented to the Audit Committee.	

	The College advised that it had penetration testing in place and had run mock phishing attacks, with staff training in place. The College was interested in learning more about the phone app suggested by a Governor. Details to be provided.	AT
23.8.5	RESOLVED THAT: Governors received the annual Insurance Cover report.	
	GP arrived	
F23.9	**Risk Register – committee areas of responsibility including managing capital risks**	
23.9.1	Governors reviewed the Committee's areas of responsibility on the Risk Register in detail. The main changes were summarised: Coronavirus, LGPS pension, inflation, energy costs, ONS review - the increased clarity around those issues had led to reductions in risk scores.	
23.9.2	RESOLVED THAT: Governors monitored the Risk Register.	
F23.10	**ONS Reclassification**	
23.10.1	Governors received an update on the ONS reclassification of colleges. The DfE and Treasury were releasing documents into the sector about impact. The first 5 documents were included.	
23.10.2	The main impact would be the anticipated increased level of bureaucracy and reduced freedom for colleges to make their own decisions and a focus on ensuring financial probity. Web links to bite sized updates were included.	
23.10.3	RESOLVED THAT: Governors received an update on the ONS reclassification.	
F23.11	**Nova Training**	
23.11.1	Governors were reminded of the background to the exploration of the acquisition of Nova Training. The purchase of the company had been paused when some audit issues came to light which had now been resolved.	
23.11.2	Since their audit, Nova had reviewed the size of their business and shaped it accordingly. The latest update reflected the current nature of the company and included updated staffing and geographic locations. Nova had had a period of contraction as they had been adversely affected by the Covid situation and the slower recovery of apprenticeships. There were market pressures leading to private providers going out of business and others choosing to leave the market. This would need to be reflected in the price if the Board approved the acquisition be pursued.	
23.11.3	Governors noted that purchasing Nova would benefit the College's T levels and apprenticeships offer. The College confirmed Nova were a large deliverer of 16-18 study programmes before L3, i.e. L1 and L2 so would not be impacted by the significant curriculum changes at L3. They were looking to redevelop their L3 programme so there was an opportunity for some synergies. They had been open about the information they had shared but expert third party advice would be taken by the College.	
23.11.4	Governors recognised it was an interesting prospect but asked if the cost was viable for the College to manage, particularly in light of other decisions which were needed, e.g. Terry Duffy House and did either of the proposals	

	take priority over the other or were they of equal importance and consideration. The Principal advised that he would make a presentation to the March Board meeting on the rationale behind the 2 proposals and to illustrate the funding impact likely from the upcoming contraction in the number of L3 students. This was outside the control of colleges so there was a need to find new income streams. The Nova proposal would offer an instant, ongoing revenue stream - Nova accessed students the College could not reach, i.e. lower level students did not want a college environment; TDH would be an instant cost saving and would save money on rental space and provide an opportunity to develop other areas of the curriculum.	
23.11.5	Governors noted the owners' intention to retain ownership of the building and asked what were the implications. The College confirmed that Nova had streamlined their estate since the initial proposal. Their new structure would be that of a property company which would retain ownership of the 3 properties so the College would acquire the company and a novation of rental agreements. The College would be advised by a property specialist in its legal due diligence to ensure watertight leases were in place to occupy the Wolverhampton building but also to ensure that dilapidation issues were fully considered alongside a review as to whether the condition and location of the properties remained right for the College's future strategy. Therefore, ownership of the properties was not an issue.	
23.11.6	Governors recognised the proposal fitted the College's strategic direction but any decision would be dependent on price and due diligence.	
23.11.7	Governors noted Nova's declining income and asked if there was a risk that was more fundamental than just a rebasing of their product and would that be picked up in due diligence. The College confirmed that it had also identified these concerns and had reflected that back to Nova who were very aware they were more exposed than in previous years as apprenticeships remained challenging across the board. The College had asked Nova to provide a mid-year estimate with the forecast they gave to the ESFA in November 2023.	
23.11.8	Governors noted that certain key staff would need to be retained and asked if, as part of due diligence, the College could talk to staff about their intentions under new regime. The College advised that it was only talking to Directors at the moment but they had made it clear they would like to be retained.	
23.11.9	RESOLVED THAT: Governors: reconfirmed their ongoing support, passed by the Finance & Strategy Committee in February 2022, to approve in principle the acquisition of Nova (subject to full due diligence and should no insurmountable obstacles emerge).	
F23.12	**Annual Accountability Statement**	
23.12.1	The format and reason for the Annual Accountability Statement was explained. The Statement was a new product emerging from the funding and accountability reforms set out in the 'Skills for Jobs' White Paper to bring consistency to the sector which asks colleges to set out what and how they intend to deliver the curriculum to support national needs. The Statement should offer a line-of-sight not only with national priorities but sit alongside Local Skills Improvement Plans (LSIP). The LSIP had not yet been published so this was an estimate.	

	The Statement would be formally signed off at the Annual Strategy Day in May 2023 and needed to be published on the website by the end of the year.	
23.12.2	Governors received the draft Statement in its current draft form Governors would recommend that the Board of Governors approved the format and contents of the draft Statement with a view for final approval at the Governors Annual Strategy Forum scheduled for 12 May 2023.	
	RESOLVED THAT: Governors: • received the Statement in its current draft form, recognising that information was still required from the LSIP to ensure alignment before finalising. • would recommend to the Board of Governors approval of the format and contents of the current draft Statement with a view for final approval at the Governors Annual Strategy Forum scheduled for 12 May 2023.	
F23.13	**HR Report**	
	Key aspects of the department's current work were outlined.	
23.13.1	Recruitment - update given. The College had altered its focus with regard to candidate attraction and was trialling an open event on 16 February 2023 focused on subject specialism. Examples of supporting promotional material were provided.	
23.13.2	Employee relations – no new issues to report. The pay issue was resolved but the College continued to work to secure improved working practices with the most militant union.	
23.13.3	Casework numbers- were included, with more detail about absence provided. Absence levels overall for the year stood at 3% a little higher than expected but would balance out over the spring and summer terms.	
23.13.4	Benchmarking data – HR metrics were regularly reviewed around benchmarking data but this was less valuable as fewer colleges, just a third, were taking part in AoC surveys.	
23.13.5	Wellness – there had been significant expansion in wellness initiatives as a result of staff feedback. Staff-led sessions at lunchtimes focused on areas of interest for staff.	
23.13.6	Developments – a new CPD programme had been launched for aspiring senior leaders. This was smaller in scale to the Our Great College programme, which had proven very successful, but was important from a succession planning point of view. Interest from managers was high and had been shortlisted to 6 applicants. The programme would start after half term. Explanation given of how the programme would work. Governors suggested that the programme include a mock interview process which could include Governor involvement. Governors recommended that feedback on the programme be given at the Annual Strategy Day.	
23.13.7	Governors asked if there were any plans to look at the management breakdown and ethnic minorities, particularly senior posts reflecting local communities. The College confirmed it did so and had a diverse mix of staff at managerial level, less so at senior level but this programme would address that.	

23.13.8	Workforce composition – there had been no significant changes. The College was particularly proud of its diverse staff base, particularly in comparison to benchmarking data.	
23.13.9	Governors expressed their thanks for the excellent work of the Exec Director, HR and OD, and her team who gave exceptional support to staff.	
23.13.10	RESOLVED THAT: Governors received the HR report.	
F23.14	**<u>Policies</u>**	
	RESOLVED THAT: Governors noted and approved the following policies:	
	14.1 E-safety 14.2 IT Acceptable Use 14.3 IT Security 14.4 Password 14.5 Penetration Testing 14.6 Social Media Use	
F23.15 NFP		
F23.16	**<u>Any Other Business</u>**	
	There was no other business.	
F23.17	**<u>Determination of Confidential Items</u>**	
	Minute No. F23.15	
F23.18	**<u>Date and Time of Next Meeting</u>** **Thursday 29 June 2023, 4.00pm**	

The meeting ended at 6.00pm