College of West Anglia
Minutes of
The Finance and General Purposes Committee
1 March 2023
8.30am
Meeting Room – Principal's Suite

Present	Hein van den Wildenberg	Governor (Chair)
	Tony Kenber	Governor (Vice Chair)
	Alan Measures	Governor
	Donna Woodruff	Governor (Staff)
Attending	Paul Harrison	Vice Principal Corporate Services
	Rob Petto	Assistant Principal Funding and Performance
	Jenny Quaif	Head of Finance
	Paul Smith	Head of Employer Liaison, Partnerships and Commercial Training
	Michelle Blake	Marketing Manager
	Adam Thompsett	Head of Property Services
	Jules Bridges	Head of Governance

No.		Action
1	**Apologies** Apologies for absence were received from the Principal, D Pomfret.	
2	**Declarations of Interests** There were no declarations of interest.	
3	**Minutes of the previous meeting – 16 November 2022** The minutes of the meeting held on 16 November 2022 were reviewed and **agreed** as being an accurate record of the meeting. **Confidential minutes of 16 November 2022 meeting** The confidential minutes of the meeting held on 16 November 2022 were reviewed and **agreed** as being an accurate record of the meeting.	
4	**Matters Arising** The progress against the outstanding matters from previous meetings was summarised in the report. There were no items to carry forward. It was noted that the review of the School of Nursing Studies has been commissioned with Fusion and will take place March/April time.	
	New external auditors, RSM, have been approached to review the value of retaining the two subsidiary companies, and VAT implications. The VPCS will report back to the committee.	VPCS
	It was noted that the ESFA financial dashboard is operational, and governor log on details have been requested.	

Several banks have been contacted about placing funds on deposit. A Treasury Management Policy will follow in due course and the Governance and Financial Regulations will be updated accordingly. VPCS

The completed items are to be removed from the table.

The Chair took agenda items out of sequence to enable management attendance for their reports. Items were taken in the following order: item 5, 6, 8, 9, 12, 10, 11, 13, 7, 14,16, 15, 17, 18 and 19.

5 Management Accounts – December 2022

Overall, the accounts show a surplus of £358k against a budgeted surplus of £517k in the year to date; represented by a shortfall in income of £119k, a £156k overspend in pay and £116k saving in non-pay. The Head of Finance confirmed that the college, given the current climate, maintains a good financial health rating and higher cash deposits with the bank, c£10m, £9.5m net of loans (due to end in July 2023). The amber areas of the income and expenditure statement relate to payroll costs and further investigation as to why costs are behind budget is being looked into. Furthermore, it was noted that, as requested by the committee, the EBITDA will be placed in a more prominent position in the management accounts to enable continued focus and progress tracking.

Governors asked if the forecast year end variance of £100k on staffing costs was realistic. At this point in time, this is achievable, but the team needs to fully understand where the root cause of the overspend lies. Currently the team are reviewing the support staff budget and rebuilding the reforecast at staff member level so at the next meeting of the committee there will be better visibility. Staff costs do fluctuate from month to month and currently the team are in the middle of a payroll merge which is hoped will bring more efficiencies and greater control. The VPCS added that there are other financial pressures on staff costs to come in April 2023, as the college implements the national living wage, which is more significant than it was when the budget was set, and there are also some significant agency staff costs to build in to cover vacancies in more specialist delivery areas, such as engineering. It was questioned if the forecast increase costs for student support staff is because there is additional need for staff in this area or there are increased issues with students that requires additional resource. The staff governor commented that there is an increasing need to recruit LSOs (Learning Support Officers) to support students who increasingly need additional support. The VPCS added that some of these costs are offset by additional learning support income shown in line 3.4.

In summary governors recognised the fine line between net surplus and deficit in the year but felt reassured that the forecast year end variance almost showed a break even position. Once the detailed work of the staffing costs has been completed there will be more confidence about the year end position so the next report to the committee will provide a better indication.

The committee questioned line 3.11, Capital Grant releases that shows a large adverse variance against budget. The VPCS explained that if we get a grant for a capital project this is not treated as income but is held in the balance sheet and then as deprecation is incurred on that particular asset the capital grant is then drip fed out of the balance sheet into the income and expenditure statement. This is a public sector treatment of capital grant.

The Chair asked where the income shows for the School of Nursing in the accounts. The VPCS confirmed that we take a nominal amount from the fees that the university earns per learner, so this element of funding sits in commercial activities (line 3.7).

Additionally, it was noted that catering costs are over budget to date, and this is being reviewed with a view to resolving the overspend. There may be a need to pass on the increasing supply costs (estimated at 18%) onto customers and/or implement other initiatives. Since bringing the service inhouse the footfall has significantly increased so there is demand but prices have remained pretty static and margins continuing to decrease. The Catering Manager is keen to continue to serve food that is affordable to all and those eligible for free school meals would find it difficult to eat a good meal when their allowance is only £2.41 from the government. This has been increased to £4.00 with additional funding secured but even on a £4.00 budget, would limit choice. The college is reluctant to implement a price differential scheme so that those entitled to the free school meal deal get a different price to other students. Staffing and pricing of food will be the first routes of investigation.

The Head of Finance was asked by the Chair to check the bank loans and overdrafts line on the balance sheet, as it showed an increase rather than an expected reduction. It was suspected this may be due to the ONS reclassification but admittedly might need to be moved into current. HoF

The Chair asked the Head of Finance when the team could return to a rhythm of management accounts reporting by the middle of the month. This is an important part of financial governance, and something many governors were keen to see. The Head of Finance indicated that with effect from March reporting the team is expected to meet that timeline (workday 10 reporting after month end). Additional resource requirement in the finance department has been recognised and a new finance system will be procured. These changes will undoubtedly help and ease the pressures experienced in the department.

6 **Medium Term Financial Plan**

The medium-term financial plan projects the college's financial activity over a 5-year period and projections for the years ahead are based on the December management accounts.

A number of assumptions and risks were identified in the report, notably the overspend in year against payroll costs and no pay increase factored into the plan. This is consistent with the position taken when setting the 2022/23 budget. The VPCS commented that conversations with Trade Unions are indicative that they will be campaigning for larger pay increases. The 4% pay increase last awarded really pushed the college to the limit and publicly no further increases had been announced in following years but not making an award, given the current cost of living crisis and pressures on domestic budgets, is unlikely to be acceptable to staff.

The MTFP shows a decrease in HE income from 2021/22 into this year and next but this then starts to flatline and grow slowly in years 4 and 5. The strategy for HE growth was questioned and nationally student numbers for HE are in decline. It was reported that the VPC&Q is optimistic to grow this provision and is working up several growth initiatives in the HE strategy.

The MTFP helps the college to forecast its financial health and adapt the plan as the external environment changes; inflation, pension contributions, pay awards and student numbers based on demographic data. These all influence the plan positively or negatively and helps identify where growth and opportunity to increase income may exist.

The VPCS mentioned that the ESFA are due to consult on a new suite of financial health gradings. It is unclear if, and when, these will be rolled out but this does mean that the EBITDA will become ever more important as it sets a threshold; you can't score good financial health if the EBITDA is negative. It is proposed that the EBITDA will remain and will keep the current ratio, but the debt cover will be dropped, instead two limitations are introduced which don't form part of the points system; this is cash generation from operations as a percentage of income, and debt cover is less than 1% or cash generation is 0%.

7 Capital Programme Review

A Thompsett joined the meeting at 9.55am

The college has benefited from two tranches of funding from the ESFA in the current year. One associated with the change in status of the ONS reclassification, the other an additional FE capital allocation for projects that promote energy efficiencies, and this has given CWA the opportunity to revisit its capital programme, which was set out in the report.

The college's capital plan for the year was originally focused on urgent repair to the Tower Block roof, originally estimated at £1.2m but increased to £1.4m to accommodate the potential cost of the fire door upgrades. With the additional ESFA funding received the total resource is £2.290m. In the year to date it was noted that a sum (£272K) had already been committed to buy a new break testing system to enable 40 students to complete their assessment as the college's system was deemed irreparable.

Works to complete include the repairs to the Tower roof which is essential and work to the Tower fire doors. The cost for the Tower fire doors has come down significantly as most of the works are fixable with inhouse resources. Most of the fire door adjustments are not latent defects, there were some nominal items that were potentially latent defects, but these were around small signage, so, for the sake of a few pounds per door to replace it did not warrant follow up as a latent defect with the contractor.

The other pressing demand is the replacement boilers in the Front Block as the block has lost hot water supply and we're having to use oil filled electric heaters in rooms to support the temperature. Additionally, there is a temporary boiler arrangement in place to generate hot water, but these solutions are not sustainable. It was hoped that we could get a green grant to enable replacement with air sourced heat pumps but in discussion with the funder it has been decided that this solution would not be appropriate. There were risks around ongoing maintenance costs as these require specialist engineers to support and require specialist replacement components. There are 3 options now being considered; hydrogen ready gas equivalent, a hybrid system that looks at hydrogen ready boilers plus heat pumps, or an electric boiler system, these are broadly similar in terms of cost, but we now need to consider how these fit in with the sustainability strategy.

The last demand is replacement road surfaces due to poor weather that has lifted/eroded the surface and further to complaints and health and safety concerns it is necessary to complete these works around the KL campus. Finally, there are some requests for IT replacements totalling £155K.

The report details several other capital projects/purchases for the committee to be aware of. Governors were content for the detail of the capital projects plan to be worked up and then shared with the Corporation. Typically, it was noted that in previous years capital spend was £1m year on year. VPCS

Since the last meeting of the committee there has been some progress about the Tower Block roof. Firstly, the college was lucky to secure the new construction project lead who comes from an architectural design background and as part of the role they were asked to carry out a review of the original documentation of the build of the Tower Block refurbishment and the re-roof from 2013/2014. Findings from this investigation has led to further discussions with insurers and project managers of the construction company.

In summary governors were informed that the 'as installed design' that was presented to the college is not what we have on the roof. This has pre-empted some questions around why this is the case, and the college has confidence that if the roof had been installed to the 'as installed design' the roof would not have failed or if it did fail it would only have failed on the upstands and not the horizontal surface because there were inbuilt points of weaknesses. The college is now questioning why the roof was not installed as per the 'as installed design? and why the system changed (from one manufacturer to another) and how this process was agreed. Pick Everard have also raised some further comments about the upstand around the parapet that again hadn't been adhered to and effectively was negated as something different has been installed. The only difference between the original roof and the new roof is that an area of membrane has been extended underneath the capping and the college has applied the mechanical fixings to the outside.

The questions arising from the investigation work (detailed in the report) have now been provided to the college insurers and they have passed these enquiries onto their engineers and legal team, so the case has now progressed beyond the team that initially rejected the claim. Additional information has been requested, that the college has provided, and there is now an active dialogue and a potential legal route to progress. The original contractor has been contacted to advise of the latent defect and unsurprisingly they do not accept the claim, but we await the official response in writing.

The college has procured the design for works to be carried out in the summer. There is an element of consideration around the timeline however, as if the design significantly changes from what was originally proposed, does this mean that the college foregoes the response/progress made with insurers? The college will wait for a response from insurers before making any further progress with the repair works.

It was noted that there are 3 bids for the design and the preferred route will be to install Bauder, as per the original design. This is a single ply membrane with built in factors that would have safeguarded against the failure. With the Bauder system, they warrant the system, they don't warrant the single ply membrane, thus there isn't a warranty claim to pursue for the college now because it wasn't the membrane that failed it was the adhesion between the installation membrane below it. With the Bauder warranty they warrant the system so no matter what part fails; the college would be covered, and this is the preferred installation route. It was noted that the college has 12 years to report a latent defect. Currently the college is in year 10 from the original install in 2013. The committee were pleased with the progress made.

8 Financial Dashboard

The report was noted by the committee. In summary it was reported that the ESFA has launched a governing body financial dashboard. The college is in the process of registering governors so that they can access the information directly. It is unclear if the content of the governor dashboard will be the same as that available to management.

As an overview the VPCS confirmed that profitability is a problem, liquidity is positive, and our ability to recover debts is good. Once governors have access to the dashboard it was agreed that we will review how this agenda item is covered at future meetings of the committee.

9 Funding Position and Data Control

The Assistant Principal, Funding and Performance joined the meeting at 9.25am

The APFP commented that in his previous report to the committee he had indicated at £200K increase in study programme income between current year and next year however the ESFA have released guidance confirming a 2.2% uplift on funding and also uplifts on programme weightings and also some changes we have made, for example, more students in higher funding bands and more provision delivered in higher weighted areas, such as in animal care. The net effect is that our programme weighting factor has gone up quite significantly despite our retention factor worsening, the allocation in report predicted at £16.7m, actually landed this week at £16.85m.

Since writing the report it was noted that the apprenticeship income in year expectation has been increased to £4.05m from £3.9m reflecting the confidence that this will be achieved as there are about 250 apprentices due to complete between now and the summer and a good indication of positive recruitment of new apprentices for the 2023/24 academic year.

There is also a funding change on the horizon for adults, coming in 2024/25. Programme weightings historically have always represented cost of delivery, i.e., areas where its expensive to deliver that provision; animal care, equine for example but the new funding tracks the high demand sectors where there are lots of job opportunities. It was questioned if adults could take up an apprenticeship and while these are available to people of all ages employers are predominantly looking to invest in the generation of the future. The AEB model accommodates for the older learner but the challenge for the college is to deliver programmes that attract the numbers to make the course viable and rates for AEB qualifications haven't changed for at least 10 years so what the college gets to make a course viable means that we have to attract large numbers of 15 learners or cancel/run at a loss if student numbers are lower.

The increase in high needs learners is significant but governors were curious to know why increased numbers doesn't necessarily equate to increased funding. The APFP explained about the element 2 and top-up element 3 funding from the local authorities and that this is agreed/allocated on a learner-by-learner basis. The college has seen an increase in numbers partly due to demographics but also our growing reputation as a good provider for these learners.

10 External Hire and Income

The committee received an update on external room and facilities hire and income in the year to date. The report emphasises that this is not a substantial income generating line of the college's business, mainly due to infrastructure and facilities needed by external parties who may need particular resources to be available when on site. The college doesn't actively promote its facilities for hire and governors questioned the long-term strategy of this income line. Given the medium-term financial plan and the management accounts there is a need to leverage more income and undoubtedly there is a need to take a more commercial approach to this area.

It was noted that a modest budget has been set for the 2022/2023 year and this has already been surpassed by c.£5K so governors questioned if the year-end outturn was likely to be that or close to the £39K achieved at the 2021/22 year-end.

The VPCS thought the year end position may be slightly less due to the loss of meeting space hire to Norfolk County Council and Anglian Water not utilising the teaching space on campus.

Outside of the meeting it was agreed that a governor will share their experience of outsourcing promotion to an agency with the VPCS. VPCS

11 Contracts £100K-£500K & Single Payments >£1m

The report was noted and confirmed nil returns for contracts of £100k to £500k, and for single payments more than £1m between 1 November 2022 and 7 February 2023.

12 IT In-house Service – Update Report

The transition to insource the IT service as of 1 August 2022 has been successful. It was questioned how the college will keep momentum and stability in the team and keep the impetus to continue at this pace and keep technology up to date. The APFP commented that the team is settled, and staff are supported to professionally and personally develop and utilise the skills of individuals to the strength and benefit of the team. IT is a very competitive space for staffing, and we have recruited high calibre staff, but retention will no doubt be challenging.

Governors were made aware (in the report) of a breach of non-solicitation clause. The breach was reported to be unintentional and the clause extended by a further 9 months.

The committee asked to see the IT strategy at the next meeting of the committee and the Head of IT will be invited to attend APFP

The Assistant Principal Funding and Performance left the meeting at 9.40am

13 Strategic Targets 2022/23 Progress Review

A number of targets are behind but a few have been completed or are making good progress. The committee noted that initial enquiries had been made in relation to a new finance system. The Chair informed the committee that he has been asked by the Corporation Chair to chair a, to be established, Task & Finish group for the new finance system, and taking the opportunity to use expertise within the governors too. .

The Chair asked the VPCS to review the commentary against strategic target 4.24 that stated the full year forecast is £2.2m but this didn't tally with what was in the management accounts. The VPCS commented that this is a different calculation but will look to make these consistent in future updates. VPCS

The Head of Governance was asked to consider adding a code or symbol to the colour RAG rates so that the progress made could be identified by someone who maybe colour blind. HoG

14 2020/2023 Property Strategy Review

The college's property strategy completes at the end of the academic year and a major refresh will be undertaken in the summer. Governors received an update on progress against the projects outlined in the current strategy.

The committee asked that the accommodation strategy be taken into account when reviewing the property strategy and utilisation/occupancy should also be factored.

A Thompsett left the meeting at 10.28am.

15 Sub-Contractor/Partnership Activities – Mid Year Update

P Smith joined the meeting at 10.28am

The Head of Employer Liaison, Partnerships and Commercial Training reported that due to staffing issues the Princes Trust programmes at the three sites (Kings Lynn, East Dereham and Norwich) have not run as frequently as planned. The teams are now fully staffed although after a visit from Princes Trust to review the programme, the offer in East Dereham has been withdrawn due to a sensitive matter, shared with the committee. An alternative venue is being investigated.

It was noted that the college will be subject to assessment against the subcontractor management standard. This is scheduled to take place w/c 12 June 2023 and will be carried out by internal auditors, Scrutton Bland.

P Smith left the meeting at 10.40am

16 CWA Website – Annual Review

M Blake joined the meeting at 10.28am

The Marketing Manager attended the meeting to present the report and answer questions of the committee. It was noted that the bounce rate had missed target by a few percentage due to an increase in traffic by students using the website to access the student portal which is a positive as learners are engaging and using the portal, but this has a negative effect on the website bounce rate. In addition, the Marketing Manager mentioned the positive impact of offline marketing where organic and direct searches are working effectively. It was noted that the paid search figure is lower than previous years which is not an indication of lack of value, but capacity of the team to keep on top of the increasing number of events.

The website and support package included provision of an online store and e-commerce facility. This has been launched and has been working successfully for just over a year. Anglia Training Centre courses for example can be booked direct online through the store.

The committee noted the significant hit rate increase of visitors searching for 'term dates' on the website. This increase is a clear indication that the changes to menu visibility and searches has positively helped visitors find the information that they are searching for.

M Blake left the meeting at 10.32am

17 Any other business

None

18 Chair's items for briefing to Corporation — Chair

- The ESFA financial dashboard is operational, and governors will have access
- The finance team are drilling into overspends on staffing and catering costs
- Savings have been achieved with the works to the Tower Block fire doors
- Options are being worked up to replace the boilers in the Front Block
- Good progress has been made with pursuing an insurance claim for the failed Tower Block Roof
- The ESFA have confirmed a 2.2% funding uplift and uplifts on programme weightings that will positively increase income

19 Date and time of next meeting

Wednesday, 21 June 2023 at 8.30am

Meeting ended at 10.42am