



BOARD OF GOVERNORS: RESOURCES COMMITTEE

Minutes

Tuesday 28 November 2023 at 08.30

Online via Zoom

		<u>Meeting Attendance</u>
PRESENT	Sam Foley (<i>Chair</i>)	(2 out of 2)
	Gillian May (<i>Group Principal and CEO</i>)	(2 out of 2)
	Kiran Virdee	(1 out of 2)
	Angela Wellings	(1 out of 2)
APOLOGIES	Signe Sutherland	(1 out of 2)
IN ATTENDANCE	Richard Munday (Deputy CEO)	
	Tracy Reeve (Director of Governance)	
	Lucy Gill (Director of Finance)	
PART ATTENDANCE	Susan Brady (Director of People)	<i>(Items 7 and 12 only)</i>
	Sarah Mason, RSM Audit UK LLP (external auditors)	<i>(Item 7 only)</i>

PART I

MINUTE
No

ACTION

The formal meeting commenced with the following presentations:

- i. **Agenda item 7 - External audit partner Sarah Mason in relation to the College's Financial Statements audit 2022/23.**
- ii. **Agenda item 12 – Director of People presented the Human Resources Annual Report 2022/23**

1. **Apologies for Absence**

The Director of Governance (TR) informed the meeting that apologies had been received from Signe Sutherland. The Chair thanked the committee members for re-scheduling Resources Committee meetings for the remainder of 2023-24 from 5pm to 8.30am.

TR highlighted that Peter Tyndale would be leaving the Corporation at the end of his second term of office but the addition of SS would fill the gap in the Resources Committee membership. There were also plans to enhance the committee membership with an additional member during spring 2024.

2. **Notifications of any other business**

The Deputy CEO informed the meeting that he had notified the Director of Governance of one additional item for information in relation to the college contract for copiers and printers. There was no other business notified.

3. **Declarations of Interest**

No Member declared a conflict of interest with the agenda.

4. **Minutes of the Previous Meeting of Resources Committee**

The meeting considered the minutes of the TWFCG Resources Committee meeting of 20 September 2023 which had previously been circulated to all members and **were agreed as a true record. They would be taken as signed by the Chair.**

All Members were agreed

MINUTE**No****ACTION**

5. **Matters Arising of the Previous Meeting of the Resources Committee**
The Director of Governance (TR) presented a report which confirmed that all matters arising had been actioned or would be actioned in the future (timing not due for completion yet).
The report was NOTED.

ITEMS FOR APPROVAL

6. **Risk Register**
The Group Principal (GM) presented the Risk Register for 2023/24 which continued to be reviewed and updated by the Senior Leadership Team. Resources Committee members noted the highest scoring risks and the update narrative explaining current mitigation and assurance levels.

Risk 1 Failure to meet budget forecast (risk score remains at 16 'amber'): The CEO informed the meeting that this risk would be considered further in agenda item 8 – Management Accounts October 2023. The upwards pressure on pay was still a very real concern.

Risk 2 Uncertainty and risks associated with emerging national curriculum reforms (risk score remains at 12 'amber'): This key risk was being well managed and senior staff were fully engaged in advisory groups linked to reform.

Risk 3 External Safeguarding Risks (risk score remains at 12 'amber'): The meeting was assured that the Exec Team continued to work with all relevant agencies in relation to any safeguarding incidents. An update on Safeguarding Reporting - in relation to new requirements around filtering and monitoring - would be brought to the Board in December.

Risk 4 Poor student outcome data at Langley results in a challenge to the Good Ofsted rating (risk score remains at 16 'amber'): The meeting was reminded that the Langley College data had improved for 2022/23.

Members NOTED and RECEIVED the updated College Risk Register.

7. **External Audit 2022-23 (taken at start of meeting)**

➤ ***TWFCG Financial Statements 2022-23***

The Audit Partner for RSM UK Audit LLP (SM) who had led the external audit 2022/23 presented the College's financial statements. Members noted that the narrative within this document was still in draft format but the numbers had now all been finalised and were very unlikely to change. Members were advised that the current financial position presented was an operational deficit of £1.048m excluding FRS102 charges.

SM confirmed that the additional burden of the merger and the new requirements of the ONS reclassification meant that the accounts were not yet fully complete. However, she confirmed that her team did not foresee any problem in finalising the financial statements in advance of them being presented to the Board for approval (13 December). Resources Committee members were informed that the only thing that was not yet fully confirmed was the outcome of the ESFA Funding Audit; although verbal feedback had indicated that there would be no clawback this was not yet formally confirmed. SM highlighted that the accounts had been constructed on a merger basis i.e. as if the two colleges had been together forever; the prior year figures were the pre-merger WFCG plus BCA. The Deputy CEO confirmed that the final report on the Funding Audit was expected from PWC on 1 December 2023 and the indications were that there would be some management letter points but no funding clawback. The Chair of Resources Committee sought clarity on the filing deadline which was confirmed as 31 December 2023.

The meeting went on to consider the numbers within the accounts in detail and the accompanying notes. The Deputy CEO highlighted the following:

- The Statement of Comprehensive Income (SoCI) – effectively the I&E - was based on the July 2023 closing position and reflected the EBITDA (this measure was now used rather than operating surplus/ deficit).
- The outcome position on the SoCI was lower than the prior year due to merger costs, higher energy costs (£433k), and the fact that in 2021/22 the legacy WFCG received £741k income for access rights at Strode's College.

MINUTE
No

ACTION

- Reserves increased by £6m in the year; there had been a favourable movement in the LGPS deficit (+ £9m).
- Cash was £2m lower than the prior year which was explained by the cashflow statement.
- The final Restructuring Costs in relation to the merger would be significantly more than currently shown @ £926,000; this was not an increase but reflected movement between lines).

The Chair (SF) sought assurance around the LGPS deficit and the meeting was reminded that this was an external factor over which the college had no control but was obliged to report. There was no direct impact on the actual financial performance of the College.

The meeting discussed the detailed schedule in relation to severance payments within Note 8 on page 45 of the financial statements. The Chair expressed concern that this Note was not yet finalised as this was a very sensitive and important table which had become even more important post-ONS reclassification into the public sector. SM confirmed that this table was also referenced in the Strategic Report narrative. The meeting agreed that they needed to see a finalised set of Financial Statements with a complete narrative in advance of them recommending them to the Corporation.

The meeting discussed the relative roles of the Audit Committee and the Resources Committee within the external audit process and the Director of Governance agreed to confirm the relative responsibilities before submission to the Corporation for final approval. TR confirmed that the Audit Management Report outlining any unadjusted misstatements and any risk areas identified with the audit would be considered by the Audit Committee (29 November 2023). This committee would also consider all aspects of the Regularity Audit undertaken at the same time as the audit of the Financial Statements. The meeting agreed that while they were happy with the financial data provided they and the Members of the Audit Committee would need additional sight of the final narrative, notes and disclosures before approving the accounts and recommending them to the Corporation.

The Chair thanked the external auditors at RSM and the Finance Team at TWFCG for their work to date on the external audit which had been more complicated this year.

Members REQUESTED a clean version of the Financial Statements with a confirmed narrative to be circulated to all Resources Committee members before they could agree to recommend the Financial Statements to the Board for approval.

ACTION:

- Final version of Financial Statements to be circulated to Resources Committee Members – and Audit Committee Members - by close of play Friday 1 December 2023.**
 - Director of Governance to confirm relative roles of Resources Committee and Audit Committee (as per TWFCG’s Terms of Reference) in relation to the recommendation of the Financial Statements.**
- *Going Concern Judgement*

RM/ TR

TR

The Chair sought confirmation on the Going Concern judgement and the Deputy CEO (RM) confirmed that RSM had not raised any issue in relation to this judgement. RM confirmed that the reforecast budget 2023/24 and plan 2024/25 had been submitted to RSM to inform their judgement.

The update on Going Concern was NOTED

ITEMS FOR INFORMATION

8. **Management Accounts October 2023**

The Deputy CEO (RM) presented the management accounts for October 2023 which had previously been circulated to all governors by email.

The final key financial indicators for the first three months of the financial year to 31 October 2023 were noted as follows:

- The operating deficit for the year-to-date (YTD) amounted to £1.059 million compared to the reforecast of £860,000 i.e. £199,000 adverse.
- The groups EBITDA for August to October 2023 was reported at minus £481,000 compared to the latest reforecast of minus £234,000. RM confirmed that this higher-than-expected negative EBITDA was primarily due to higher-than-expected pay costs.
- For the year to date there were variances against forecast in income (£67,000 adverse), pay costs (£225,000 adverse) and non-pay costs (£93,000 favourable).
- The reforecast indicated that pay costs for the YTD 73.1% of adjusted income. The actual percentage was 75.3% and reflected the constant upward pressure on staffing costs that the group continued to face.
- The cash balance at the end of October was £5.95 million in credit, which was £233,000 less than reforecast.
- The financial health for the 12 months to 31 October 2023 had dropped to 'Requires Improvement' from the forecast of 'Good'.

The Deputy CEO (RM) highlighted the table on page 90 of the papers which summarised month and year-to-date performance against the reforecast. RM informed the meeting that in this table the prior year comparisons for income were not 'like for like'. This was due to the fact that the ESFA funding profile during 2022/23 was front-loaded and given to colleges in several large tranches. Post-ONS reclassification the ESFA income was flatlined across the whole year. The meeting noted that this would work through and the comparisons would be valid from April 2024 onwards. RM also referenced the increased learner numbers (+ 243 16-18) which were generating teaching costs but would only be accounted for through lagged income in 2023/24. The meeting was informed that another reforecast would be undertaken once the November 2023 management accounts were finalised.

The meeting considered the RAG rated table (page 87 of the meeting pack) which detailed progress against the agreed initiatives to improve the baseline financial health 2023/24. These ten actions – 6 categorised as 'low' risk, 2 'medium' risk and 2 high risk - had been integral to the budget 2023/24 approved by the Corporation on July 2023. RM drew the meeting attention to the two areas which were currently causing concern:

- a) Transport Expenses which were unlikely to realise the £50,000 saving
- b) Headcount challenge – the proposed saving of £500,000 in-year 2023/24 was currently moving in an adverse rather than a positive direction.

RM shared an updated spreadsheet - which he had previously circulated to Resources Committee members - which looked in detail at the adverse movement in staff costs that had been seen during the first quarter. This demonstrated that if no remedial action was taken, the likely overspend on staff costs at year-end 2023/24 (based on quarter 1 actuals) would be circa £1.732m. The meeting agreed with the assertion that this was clearly not acceptable. RM went on to explain the mitigation that had already been put in place against this staff costs overspend which included the following:

- The ESFA had indicated that additional in-year funding to reflect growth in learner numbers 2023/24 would be available to colleges during the current year. The measure of this additional in-year funding was likely to be circa £854,000 (rather than £683,000 as shown in the report).
- A £150,000 further reduction in the cost of temporary staff (reduced from £765k to £615k – compared with £1.365m in prior year).
- A cancellation of all current vacancy requests had been implemented (All Staff email sent Thursday 23/11/23) with a forecast saving of £100,000 (5 full time staff over 6 months).
- A recruitment freeze had also been put in place with no leavers being replaced until FY2025 which would potentially save £400k.

The meeting sought – and was given – confirmation that this recent action on staffing costs was an addition to the £500k staffing efficiency already built into the budget 2023/24. RM confirmed that this now meant that the financial health grade for 2023/24 would now be Requires Improvement (RI) rather than Good. He also asserted that current anecdotal evidence was this drop in financial health would be the case for a large number of colleges during 2023/24.

The Committee Chair (SF) informed the meeting that she had discussed the current position with the Deputy CEO on the previous day (27/11/23). She was assured that the college had sufficient cash and was battling the impact of the recent growth and funding lag whilst having to pay for additional teachers in-year. SF confirmed that the RI grade was disappointing but the Deputy CEO has confirmed that this change would not lead to any sanction by the ESFA. SF highlighted the action plan for the Exec Team to look for additional efficiencies within support teams – including curriculum support staff. SF reminded the meeting that the merger between TWFCG and BCA had been a complex merger and the governors needed to remember the positive impact of growth in learner numbers 2023/24 even though the disappointing financial position was a concern.

The CEO (GM) confirmed that the in-year funding would be a one-off payment to reflect the additional 243 learners; most of these were at Langley College and tied in with the post-merger strategy for the new group. GM agreed that the current challenge around pay costs was not unique to WFCG but she highlighted that the groups pay costs as a percentage of income were above sector benchmarks. This had been confirmed by the recent curriculum planning work (CEFSS review) undertaken with the FE Commissioners Team. Part of this additional cost reflected the decision to support learners – with additional pastoral and safeguarding resources – but there was now a need to find further efficiencies. GM confirmed that the CEFSS review had flagged that some areas of the curriculum were less efficient but the recommendations on curriculum efficiency and possible savings were unremarkable. However, GM informed the meeting that it had become clear that there were too many back office staff and there would be no quick win to remedy this. The recruitment freeze and offer of reduced hours to all staff would help but the pay challenge of £500k in the budget did require urgent action. The Exec Team had started to look at a reorganisation around the Leadership and Management structure and two SLT posts which would arise in-year 2023/24 would not be replaced. There was also work underway to restructure the Curriculum Leadership team to address the middle leadership structure post-merger. Although this would incur restructuring costs in-year and only generate six months of gain it would enable the college to 'right-size' itself before the start of 2024/25. GM confirmed that the Exec would look at the back-office structure and the possible use of new technologies to generate efficiency. The meeting commended the importance of acting as soon as possible to find the necessary efficiencies. This would allow the cost base to be stabilised for 2023/24 and set the right trajectory for 2024/25. The meeting questioned why the percentage of support staff at BCA seemed higher than other colleges and noted the large EHCP cohort at BCA who had ring-fenced (and funded) support workers. GM highlighted one gain that would be made at BCA which had been identified by the recent CEFSS review: this centred on the larger land-based provisions at BCA which the CEFSS had identified could be reduced to 600 hours of delivery (with the associated reduction in staffing). The College had added the additional requisite 40 hours to a larger baseline so were delivering well above 600 hours at the moment. GM confirmed that the recent ESFA funding audit and the CEFSS review had provided certainty which would allow delivery to be reduced on some large courses 2024/25.

RM confirmed that he would bring a revised forecast to the March Resources Committee and Board meeting. SF suggested that the committee should provide assurance to the Board in December 2023 that they had considered this in detail and were assured that management action was being taken.

The Management Accounts for October 2023 were NOTED and RECEIVED.

➤ ***Capital Expenditure Update***

The meeting noted an update schedule which outlined the utilisation and planned capital expenditure for the next two financial years for the monies received via the Reclassification Fund (£0.99 million), Energy Efficiency (£0.38 million) and the Transformation Fund (£1.34 million). The meeting took this report as read; nothing needed to be highlighted.

The Capital Expenditure update report was RECEIVED.

THE MEETING TOOK THE FOLLOWING REPORTS AS READ.

9. **Annual ESFA assessment of college financial health 2022-23**

The meeting received the letter which had been received from the ESFA to confirm their assessment of the College's financial health after their review of the financial plan 2022/23 to

MINUTE
No

ACTION

2024/25. This confirmed financial health grades of Requires Improvement for 2022/23 and Good for 2023/24 (the current budget year).

The meeting RECEIVED the ESFA letter confirming actual and forecast financial health for TWFCG.

10.

Enrolment 2023/24

The meeting noted the final enrolment against ESFA allocation by college for 2023-24. This confirmed that the group had secured significant growth in ESFA funded learners. Retention at the 42-day census date confirmed that the growth was 243 learners (6% increase on the prior year). As discussed earlier in the meeting this would provide an additional £1.5m lagged funding to add to the group ESFA income for 2024/25.

The enrolment update was NOTED

11.

Estates Update

- TWFCG Estates Strategy, November 2023

The meeting took the detailed update as read. It was agreed that there was insufficient time in the meeting to give this matter the attention and discussion that it justified. The Director of Governance confirmed that no elements of the Estates Strategy were pressing so could be deferred for discussion to the next Resources Committee meeting.

ACTION: The revised College Estate Strategy would be brought back to the next meeting of Resources Committee for closer consideration (March 2024).

TR

- Minutes from Capital Development Steering Group, 23 November 2023

The meeting took the minutes from the CDSG meeting of 23 November as read; these minutes detailed the current progress with the land sale at Honey lane BCA.

ACTION: The progress with the Honey Lane land sale and the BCA Heritage Project works would be discussed at Board on 13 December 2023.

TR

12.

Human Resources Annual Report 2022/23 (taken at start of meeting)

The Group Director People (SB) presented the Human Resources Annual Report 2022/23 which covered recruitment and selection, staff turnover, sickness absence, and the staff profile by protected characteristics. SB informed the meeting that she would be looking to amend the format of the Annual HR Report for future years as the staff data had limited value without detailed analysis and an action plan. SB confirmed that the HR Team were currently developing key performance indicators for governors and to provide managers with real-time information. HR were working with managers to establish what needed to be done differently.

Recruitment SB highlighted the current situation with a candidate-led market. There had been an increased number of roles advertised during the year (up 35%) and it had been hard to get staff for some of the roles. SB highlighted that this had not been helped by the current length of the recruitment process at TWFCG. Although much of this was due to the safeguarding requirements of KCSIE, the HR Team were working to reduce the timeframe. The total headcount across the four colleges was now 962 employees: 423 academic, 509 support and 31 management.

Staff Turnover: At 20% overall this was broadly the same as the prior year and in line with the AoC data. The rates by function were noted as: academic 17.8%, support 21.6% and management 22.6%. Governors noted that the merger had impacted these figures.

Sickness: At an average figure of 4.26 days lost per employee this was just below the sector (4.4) and national average (5.7). SB assured the meeting that the college had strategies in place to manage both short-term and long-term sickness absence.

Staff profile: The meeting noted the profile of the College Group staff body by characteristic. The split by gender was 72.1% female and 27.9% male compared with the sector split of 64% female and 36% male. SB highlighted that this explained the college Gender Pay Gap figure of 5.67% for legacy WFCG and 8.12% BCA against the ONS national average of 14.4%.

The meeting noted that a number of the characteristics had incomplete data as a proportion of staff had not yet declared against the characteristics; e.g. for disability 158 staff had not

answered this question yet. SB confirmed that the HR Team were about to go out to staff again to secure this data; this was taking forward the Mirror Board work on EDI. SB confirmed that she would be looking for a fuller data set for reporting 2023/24 but there was also a need to use the data to think about 'so what' and the resulting action plan. There was also a need to work on better communication with staff to reassure people on why the College wanted the staff profile data and what they would do with it.

The Committee Chair sought confirmation on whether the difficulty in recruiting was leading to worse pay inflation. SB confirmed that this was the case in many instances with candidates pushing back for higher starting salaries. Although turnover was not an issue the meeting also suggested that the college needed better data on why people were leaving; SB agreed that more analysis on leavers data needed to be done.

Governors also asked that future HR reports should contain expanded data on staff ethnicity with clear comparison against the student population which would be valuable on a college level as well as the Group. SB agreed that it would be her aim to provide more insight with the data broken down by job group and level within the organisation. The Chair of Resources Committee thanked the Director of People for the report and suggested that the positive HR data needed to be highlighted on the college website and used by the CEO when networking in the college community.

The Annual HR Report 2022/23 was RECEIVED.

ACTION: The HR Team to enhance the Annual HR Report as discussed for 2023/24.

SB

[Susan Brady left the meeting.]

- Staff Survey November 2023

The CEO (GM) presented the report which provided Resources Committee Members with an overview of the outcome of the College's annual staff survey which had been undertaken during the last two weeks of October 2023 (closing on 3 November 2023). GM informed the meeting that the outcome report was very insightful and had highlighted some issues at BCA. These were in relation to merger harmonisation; the apparent mismatch with regard to pay equalization and some IT challenges that BCA staff faced over the summer as they were moved over to TWFCG systems. This had caused some disruption and concern with staff but governors were assured that most of the IT issues were now fully resolved. The meeting was assured that the overall satisfaction score was satisfactory. Pay progression was seen as an issue across all four colleges but probably reflected the current pressure on salaries with the Cost-of-Living increases. GM highlighted that the overall participation rate at just over 50% seemed low but she had been assured that this was a normal response rate.

The meeting considered point 4.2 on the survey - the 'net promoter' score - which was 77% at BCA and 89% for the rest of the group excluding BCA. By college, the figures were noted as: Windsor 90% (91% in prior year); Langley 94% (82% prior year); Strode's 86% (vs 85%) and BCA 77% (87% in prior year). The increase in staff satisfaction at Langley was highlighted and commended. GM assured the meeting that the lower scores at BCA were not being ignored. Although the survey had been anonymous several people at BCA had put their name on their responses and GM had met with these individuals to analyse their reasons for their responses and try and respond. The major factors had been the IT systems and disappointment with contracts. GM informed the meeting that a further survey would take place with BCA staff in February/ March 2024 to gauge whether staff satisfaction had improved and to get a clearer understanding of any ongoing issues. Governors sought confirmation on when the last staff survey had been done and GM confirmed that this was undertaken in January 2023 at all 4 colleges.

The meeting noted that there was no mention of the 6.5% pay award in any response which was seen as positive. Other issues across the group were in relation to: IT, pay progression and work-life balance. The other request which was common across the colleges was in relation to staff wanting separate toilets. GM confirmed that this would be an issue within the constraints of the current estate. The Chair of Resources sought confirmation on whether there had been any progress in getting staff at BCA and the TU representatives on board with the pay harmonisation exercise. GM confirmed that there was now a recognition of the issues within the pay harmonisation process and the relationship with the TUs was relatively strong. Management transparency had allowed the trade union representatives to have clear awareness of all issues and appreciate the differences between the four colleges.

MINUTE
No

ACTION

Governors sought clarity on how the results of the survey would be communicated back to staff with the necessary management responses and action planning. GM confirmed that survey results would be used during staff briefings and there would also be a positive impetus from the Staff Star Awards at each college in December. It was agreed that the tone for any staff feedback should not be defensive as there was a lot of positive factors within the data.

The Staff Survey 2023 report was RECEIVED.

ACTION: A repeat Staff Survey for BCA staff to be undertaken in spring 2024 (update report to June Resources Committee).

Exec

13. **FE Commissioner (FEC) Curriculum Planning work**

The meeting noted an update on the recent Curriculum Efficiency and Financial Sustainability Support (CEFSS) review that had been undertaken with the support of the FEC team. Although the full report was not yet available, the CEO (GM) had submitted a paper which outlined findings. Key findings highlighted were as follows:

- It was recommended that the college group should focus on developing a robust measurement system to assess the financial contribution of each programme area, particularly within the apprenticeship provision. This would help to identify areas of low financial contribution and enable strategic decision-making in programme offerings and curriculum design.
- It had been agreed that going forward, the financial contribution should be analysed and reported by both department and college campus. This additional breakdown will provide a more comprehensive understanding of the financial performance across different levels of the organisation.
- The FEC Team had suggested conducting a review of non-curriculum costs across the group. This would include leadership and management, student support, and back-office support functions. This review would be aimed at identifying areas where cost efficiencies could be achieved without compromising the quality of services provided. This review was scheduled to take place in January 2024.

GM informed governors that the Director of People had discussed this review with Trade Union representatives on 27 November to prepare them for the likelihood of some restructuring work. GM reminded the meeting that a recruitment freeze was now in place and the opportunity for staff to take reduced hours had been shared.

The update report on the CEFSS work was RECEIVED.

ACTION: The FEC Team's Report to be brought to the next Resources Committee meeting (March 2024).

TR

14. **Dates and Times of Future Meetings**

The Director of Governance confirmed that the next meeting was timetabled for Tuesday 5 March 2024 at 08.30am on Zoom.

NOTED

15. **Any Urgent Business**

There were no other urgent items of business raised.

The meeting closed at 10.10 am.

Chair.....

Date.....