

Heart of Yorkshire Education Group Corporation ('Corporation')

Board of Governors ('Group Board')

Finance, People and Resources Committee ('Committee')

Minutes of the Meeting held on 20 June 2023 ('Meeting')

Present: Michael Clark, Claire Corneille, Andrew McConnell and Neil Warren ('Chair')

Interim Clerk to the Corporation ('Clerk')

In attendance: Ruth Baxter (minute four only), Nigel Brook, Dawn Hartley (Director of Finance), Jason Pepper (Group Executive Director: Finance and Resources ('JP')), Karen Sykes (Group Executive Director: People ('KS')), Sam Wright (Principal and CEO ('SW')).

Apologies: Jayne King

1. Welcome

The Chair welcomed those present, reported that due notice of the Meeting had been given and that the Meeting was quorate. Accordingly, the Chair declared the Meeting open.

2. Apologies, declarations of interest and any other business

- 2.1. The Chair noted that Jayne King had given her apologies.
- 2.2. The Chair stated that he was not aware of any conflicts of interest and asked members to make any necessary declarations. No declarations of interest were made.
- 2.3. The Chair reminded the Committee of the rules of confidentiality.

3. To receive and approve the Minutes of the meetings of 7 March 2023 and 9 March 2023

3.1. IT WAS RESOLVED THAT the minutes of the meetings of the Committee of 7 March 2023 and 9 March 2023 were approved.

3.2. The Clerk addressed the outstanding matters arising from the meeting of 7 March 2023 with deadlines on or before the date of the Meeting:

- 3.2.1. In relation to matter arising 4, 'Report back on the development of an assurance map and board assurance framework'. JP noted that this would be delayed until the Autumn.
- 3.2.2. In relation to matter arising 9, 'Creation of a Reserves Policy'. JP noted that this would be delayed until the Autumn.
- 3.2.3. In relation to matter arising 11, 'Review the staff survey results and report back to the Committee with a plan for the deep dive and next steps'. KS noted a plan was to be shared shortly.
- 3.2.4. In relation to matter arising 12, 'Proposal for the People KPIs'. KS noted these were to be shared shortly.
- 3.2.5. In relation to matter arising 19, 'Governors asked for more regular finance reports – and asked that DH share her monthly report with a summary of key changes with the Committee'. JP noted these would be shared going forwards.
- 3.2.6. In relation to matter arising 20, 'Governors confirmed they would also like to receive updates regularly on cash and reserves'. JP noted this would be addressed in DH's monthly reports.
- 3.2.7. In relation to matter arising 24, 'Governors then confirmed they would like a Reserves Policy and a Minimum Cash Policy to be approved at the next meeting'. JP noted that this would be delayed until the Autumn.
- 3.2.8. In relation to matter arising 27 regarding the Group Treasury Management Policy, 'Governors asked why there was a limit to the funds invested at Lloyds. It was agreed this should be set at £7.5 million to reflect the size of the new group'. JP explained that the Reserves Policy was still to be completed and that the Committee needed to be mindful of the impact capital grants would have on the College's balance with Lloyds noting that lots of money would be flowing in and out and that moving cash between accounts would add complexity and risk to a relatively low risk situation.

3.3. The Clerk addressed the outstanding matters arising from the meeting of 9 March 2023 with deadlines on or before the date of the Meeting noting that in relation to matters arising 6, 7 and 8, regarding amendments to the Terms of Reference, approval would be postponed allowing for a review of all committee terms.

4. Draft Budget 2023/24 and Financial Plan

4.1. JP referred to the draft Budget 2023/24 and Financial Plan noting the following:

- 4.1.1. *[Please see the confidential minutes]*
- 4.1.2. Opportunities for growth in 2023/24 were expected with increased 16-18 numbers and SEND/LLDD provision as well as longer term in apprenticeships and adult provision. He also noted more favourable utility costs and continuing capital funding.
- 4.1.3. Various changes to be implemented in 2023/24 and their expected financial consequences including to delivery, curriculum planning, quality and financial performance management and core business systems.
- 4.1.4. *[Please see the confidential minutes]*
- 4.1.5. The draft budget assumed that the Group would make an operating loss of £2.316m in 2023/24 (with an underlying operating loss of £1.093m).
- 4.1.6. The Group's cash balance was forecast to decline significantly over 2023/24 largely due to a requirement to spend several significant capital grants.
- 4.1.7. The Group's cash and capital investment position to July 2024.
- 4.1.8. The Group's position as compared to the average mid-sized GFE college.
- 4.1.9. The Group would achieve a calculated financial health grade of "Good" for 2023/24. However, only the minimum score would be achieved.
- 4.1.10. The Group was not expected to generate enough cash to cover capital expenditure and that reserves would be spent due to expenditure necessitated by the merger with Selby College although the College had received significant grant funding.

4.2. Governors asked:

- 4.2.1. For the budget to extend to 2024/25. Governors wanted comfort that, while the Group would be required to dip into reserves in the coming year, it would not be necessary to continue to deplete these funds in the future. JP explained that, due to work pressures, the budget for 2024/25 had not

been provided but he had carried out the analysis and expected the Group to break even.

- 4.2.2. Whether the projected recurring cash and deficit figures were driving the affordability analysis of the pay award. Governors noted that they needed to know the bottom-line figure which JP felt the Group needed to achieve to determine what was affordable. They noted that this would make negotiations with the Trade Unions more straightforward.
- 4.2.3. For clarity around the underlying assumptions in the budget to give governors comfort as to how challenging and, therefore, appropriate it was. Governors suggested the provision of optimistic, pessimistic and realistic assumptions.
- 4.2.4. Why the staffing costs ratio was so much higher than the sector average, representing significant additional expenses. JP noted the structural issues which drove this including increased wrap around care and the Group's multi-campus footprint. Governors asked for confirmation as to how JP had arrived at the staffing costs ratio target. JP agreed to provide this.
- 4.2.5. Which parts of the Group's provision provided the best contribution? Governors noted that this was necessary to understand where growth would come from. JP noted that he could provide a high-level analysis. He explained that if Governors required further information a benchmarking exercise would have to be outsourced which he expected to be expensive.
- 4.2.6. For comfort that the Group would not fall into the ESFA 'Requires Improvement' financial rating.
- 4.2.7. For comfort, the position should capital projects be slower and more costly than expected. JP noted that he would be able to provide more clarity on this when the Group went out to market.

4.3. IT WAS RESOLVED that the Draft Budget and Financial Plan be recommended subject to the provision of the information requested in minute 4.2 (above) which Governors summarised as follows:

- 4.3.1. Modelling for three years.
- 4.3.2. Assurance regarding the affordability of the pay award.
- 4.3.3. Confirmation of the following year's deficit.
- 4.3.4. Assurance that pay expenditure savings would be achievable.
- 4.3.5. Assurances regarding sensitivity analysis.

4.3.6. Assurances regarding the timing and contingencies regarding capital.

5. Finance Report

5.1. JP referred to the Finance Report noting the following:

- 5.1.1. The forecast outturn position for the Group relating to outturn and EBITDA would not be met.
- 5.1.2. The deterioration had been driven by a number of factors including over budget expenditure on agency staff necessitated primarily by apprenticeship delivery requirements.
- 5.1.3. The Group was forecast to meet or exceed all FE Commissioner Benchmarks with the exception of the Group's staffing costs ratio.
- 5.1.4. The Group's year-end cash position was robust with several capital grants having been received.
- 5.1.5. The Group was expected to achieve a calculated ESFA financial health grade of "Good" but that this would be based on the minimum score for such a grade.

5.2. Governors asked whether apprenticeships were still an area of growth for the Group at the Wakefield and Castleford campuses. JP noted that the Group had reached target at Castleford and that Wakefield apprenticeships were minimal, but it was becoming more difficult to recruit. Governors asked whether planned expenditure on the Group's estate for construction apprenticeships was, therefore, wise. JP noted that the space could be filled multiple times but that it was the intention to continue to grow apprenticeships.

6. Pay and Grading Update

6.1. KS noted:

- 6.1.1. The levels of staff turnover, the impact of the increased cost of living and staff dissatisfaction with pay particularly relating to morale, sector strikes and the reduction of applicants across the sector. She referred to the challenging Group budget and the above target staffing cost ratio.
- 6.1.2. The National Industrial relations pay claim and the AoC's response which was that it was not in a position to make a pay recommendation.
- 6.1.3. That all trade unions were balloting for strike action.

6.1.4. Comparisons with teachers in schools and local government.

6.1.5. [*Please see the confidential minutes*]

6.1.6. [*Please see the confidential minutes*]

6.2. Governors:

6.2.1. Stressed the importance of making an interim payment to help alleviate the impact of the cost-of-living crisis.

6.2.2. Noted that more work needed to be done to determine the affordability of the pay award before the Committee could make a recommendation.

7. [*Please see the confidential minutes*]

8. Financial Regulations

8.1. JP outlined the changes to the Financial Regulations.

8.2. IT WAS RESOLVED that the amended Financial Regulations would be recommended to the Board for approval.

9. Tuition Fees Policy (and HE Tuition Fees)

9.1. JP outlined the changes to the Tuition Fees and HE Tuition Fees policy.

9.2. Governors considered the competitiveness of the Group's fees in the context of recruitment.

9.3. IT WAS RESOLVED that the Tuition Fees and HE Tuition Fees policy be recommended for approval.

10. Review of effectiveness of the meeting and emerging risks

10.1. The Committee agreed that the Meeting had been effective and emerging risks had been considered during its course.

10.2. Governors asked that a deep dive session be held the following year in relation to the budget to ensure the document was ready to be recommended at this Committee.

The Chair noted that the next meeting of the Committee was to take place in the Autumn of the following academic year with dates to be approved by the Group Board at its meeting on 4 July 2023.



Signed..... Date 21/11/2023

Actions

No.	Minute	Details	Deadline	Responsibility
1.	4.2.4	Governors asked for confirmation as to how JP had arrived at the staffing costs ratio target.	Group Board meeting of 4 July 2023	JP
2	4.2.5	Which parts of the Group's provision provided the best contribution. Governors noted that this was necessary to understand where growth would come from. JP noted that he could provide a high-level analysis.	The next Committee meeting	JP
3	4.3	Governors asked for comfort on a range of issues prior to approval of the Budget.	Group Board meeting of 4 July 2023	JP
4	8.1	IT WAS RESOLVED that the amended Financial Regulations would be recommended to	Group Board meeting of 4 July 2023	JP

		the Board for approval.		
5	9.3	IT WAS RESOLVED that the Tuition Fees and HE Tuition Fees policy be recommended for approval.	Group Board meeting of 4 July 2023	JP
6	10.2	Governors asked that a deep dive session be held the following year in relation to the budget to ensure the document was ready to be recommended at this Committee.	Prior to summer Committee meeting	Clerk