



# Heart of Yorkshire Education Group

Finance, People and Resources Committee Minutes of the

Heart of Yorkshire Education Group

On 7<sup>th</sup> March 2023 at 4pm

In the Executive Meeting Room, Wakefield College

**Present:** Neil Warren (NW), Michael Clarke (MC), Claire Corneille (CC), Andrew McConnell (AM)

**Apologies:** Jayne King (JK) and Karen Sykes (KS – Executive Director – People)

**In attendance:** Jason Pepper (JP – Executive Director, Finance and Resources), Dawn Hartley (DH – Finance Manager) and Antonia Praud (AP – Director of Governance),

Item		Action
1	<p><b>Declarations of Interest, Apologies for Absence and Welcome</b> The Chair welcomed all attendees to the meeting.</p> <p>Apologies were received from Jayne King, and Karen Sykes which were accepted with consent.</p> <p>There were no declarations of interest.</p>	
2	<p><b>Minutes and Confidential Minutes of the meetings on 22<sup>nd</sup> and 29<sup>th</sup> November 2022</b> Subject to one amendment (page 16 – the confidential minutes of the 29<sup>th</sup> November – amending “before” to “after”, all four sets of minutes were approved. It was confirmed that the relevant sections of the minutes had already been reviewed and supported by the Audit Committee on 6<sup>th</sup> March.</p> <p><b>Matters Arising:</b> <b>Minutes from 22<sup>nd</sup> November:</b></p> <p>1 Amend the report and accounts, and self assessment reports JP, NB, NW and AP To be completed ASAP after the Audit report</p> <p>2 Add a narrative to explain the changes to the financial position JP To be completed ASAP after the Audit report</p>	<p>1</p> <p>2</p> <p>3</p>

<b>3</b>	Report back on the development of an assurance map and board assurance framework	JP	To be completed - carried forward	<b>4</b>
<b>4</b>	Amend the report and accounts, and self assessment reports	NB and AP	To be completed ASAP after the Audit report	<b>5</b>
<b>Confidential Minutes from 22<sup>nd</sup> November:</b>				
<b>1</b>	Review the Internal Audit Plan to provide assurance on new systems and processes for the ILR and Apprenticeships	JP NB	Requested at Audit committee yesterday	
<b>2</b>	Note the recommendations in the re-write of the report and accounts	JP	To be completed ASAP after Audit	<b>6</b>
<b>3</b>	Note the risk to student achievement in the Group Risk Register	JP	Updated	
<b>4</b>	Provide a report to explain how the deficit has appeared, after a surplus was recorded in reports immediately before merger.	JP	Carried forward	<b>7</b>
<b>Minutes from 29<sup>th</sup> November:</b>				
<b>1</b>	Work together on the development of an assurance map	JP, RL, AP	Carried forward	<b>8</b>
<b>2</b>	Creation of a Reserves Policy	JP	To be completed Spring/ Summer 2023	<b>9</b>
<b>3</b>	Create a covering paper for the next set of accounts, noting key variances	JP	To be completed with final report and accounts.	<b>10</b>
<b>4</b>	Confirm Chair's action, noting decision to transfer SFS staff to Selby College terms and conditions	AM	Completed	
<b>5</b>	Send feedback through on the Health and Safety Policy	CC/ ALL	Completed	
<b>6</b>	Send feedback on the Grievance Procedure	CC	Completed	
<b>7</b>	Bring back policies to the committee after review by the Trade Unions	KS	One on agenda today. The others will come when ready.	
<b>8</b>	Review the Staff Survey results, and report back to the Committee with a plan for the deep dive and next steps	CC and KS	Under development – carried forward	<b>11</b>
<b>9</b>	Proposal for the People KPI	CC and KS	Carried forward	<b>12</b>
<b>10</b>	Share final draft of the Terms of Reference for the Committee	JP, KS and AP	On agenda	
<b>Confidential Minutes from 29<sup>th</sup> November</b>				
<b>1</b>	Work together on the development of an assurance map		Carried Forward	<b>13</b>

	<p><b>2 Creation of a Reserves Policy</b> JP</p> <p><b>3 Create a covering paper for the next set of accounts, noting key variances</b> JP</p>	<p><b>Carried forward</b></p> <p><b>Carried forward</b></p>	<p><b>14</b></p> <p><b>15</b></p>
<b>3</b>	<p><b>Update on the ESFA Audit</b></p> <p><b>See confidential minutes.</b></p> <p>Governors noted their thanks to staff.</p>		
<b>4</b>	<p><b>Finance and Resources Report</b></p> <p>The group continue to request monthly extensions for the report and accounts.</p> <p><b>January 2023 finance report</b></p> <p>The forecast outturn has deteriorated and is showing an operational loss of £1.4million. (against an original forecast of £800k).</p> <p>At the end of January, the Group was well behind target across a range of financial performance metrics. The group have failed to achieve the budget across a range of income streams so far this year:</p> <p><b>Adult Education Budget (AEB):</b> A combination of factors mean that at the end of January the Group was almost £587k down on budgeted AEB funding. This is based on failure in recruitment, along with supply chain issues in respect of our distance learning provision. The group are going to work with another provider to get the recruitment back on track.</p> <p><b>Tuition Fees:</b> Higher Education fee income was £159k under budget at the end of January, and FE tuition fee income was also down by a further £183k.</p> <p><b>Apprenticeship income:</b> Apprenticeship income was £585k down on budget at the end of January. Apprenticeship numbers are broadly on track, and more learners are being brought on, when their records are complete, so there is a possibility for improvement and recovery. A team of 4-5 people are working hard to make progress on the DAS errors so it is hoped the shortfall will soon be eradicated.</p> <p><b>Pay Costs:</b> On 31 January, pay costs were £103k higher than profile for the year to date. (higher for teaching staff and below budget for support staff). In part, this is fuelled by the need to use agency staff.</p> <p>Turnover is proving very challenging. Although large savings are being seen due to vacancies, capacity could become a concern. 5 staff members have left the Finance team and a number have been lost from HR. There are vacancies in Engineering, Construction and a number of specialist departments.</p> <p>Inflation is putting pressure on salaries too. The group are one of the only colleges not facing industrial action, based in part to the good relationship the group have with the</p>		

<p>trade union. An update on pay will be given at the meeting on 9<sup>th</sup> March. It would cost 14% of the budget to achieve the rise for the national living wage in one step, alongside bringing salaries in line across the group and giving all staff a minimum increase that was originally put in the budget.</p> <p>However the staff ratio for the group is 73% which is still high in comparison to the ESFA target, and other colleges too.</p> <p><b>Non-Pay Costs:</b> Non-pay costs are £125k over budget at the end of January. Areas of concern include awarding body fees, which continue to increase above inflation. Although the Group is currently under-budget in respect of utility costs, an increase in gas and electricity rates is expected in April 2023.</p> <p>There has been a collapse in demand for access courses, and this is being seen nationally too. WYCA have remanded their commission and are offering free courses.</p> <p><b>16 – 18:</b> The group lost a higher number of students before day 42 (used for funding purposes) than anticipated. Audit Committee yesterday agreed to ask the Curriculum and Quality Committee to follow this up with a deep dive.</p> <p><b>Property:</b> The group have received an additional £2.9 million that was unanticipated which means it does not need to use its reserves for some of the planned works.</p> <p>Governors challenged if the figures reviewed included an assumption for some clawback from the audit and it was confirmed that this was not in the latest report.</p> <p>Governors challenged the figures in the report for the group’s financial health. It was pleasing that the group had Good financial health, and it stated it was only £110k off achieving Outstanding financial health next year. A correction was noted – the group are actually £600k off achieving Outstanding financial health. Governors were assured the group would achieve Good Financial Health as it was a significant way off Requires Improvement.</p> <p>Governors confirmed it would be good to see some risk analysis to see the impact various movements could make. JP confirmed this could be shared. AEB, Apprenticeships and Staffing are the key risks. Governors also requested that key assumptions be summarised in the next report.</p> <p>Governors were reminded that the group had started the year with an additional £1 million than had been expected too.</p> <p>JP confirmed that the team had begun the curriculum planning exercise, and were completing business reviews. They had been delayed this year.</p> <p>The group has also received it’s 16-18 funding allocation for next year, and will be receiving an increase of 3.5%. Whilst this looks positive, caution was noted as it includes an assumption for an increase in students completing T Levels and it is not known if this recruitment figure is possible.</p>	<p>16</p> <p>17</p> <p>18</p>
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	<p>Governors requested more regular finance reports – and asked that DH share her monthly report with a summary of key changes with the committee. This would include any risk manifesting themselves and any key variances to plan. All confirmed it was too long to wait until the next meeting in June.</p> <p>Governors confirmed they would also like to receive updates regularly on cash and reserves.</p> <p><b>Capital:</b> Governors noted concern that they did not have sufficient assurance on what was being spent and how it was planned. They requested a report at the next meeting. It was confirmed that the group have £1.9 million to spend in the summer but they do have not the capacity to do any more projects than those already in plan.</p> <p>Governors confirmed they would like a deep dive on the budget and asked when this could be done. They confirmed that 20 June was too late. It was agreed that DH would offer this to committee members in May.</p> <p>WYCA: The group have been a member for a number of years and it was a good mechanism for colleges to work collaboratively. It was incorporated into a company that successfully won bids and grants. However it was underwritten by Luminate (£3 million of working capital). The consensus is the group do not have the appetite to underwrite this, and to dissolve the company. Instead the colleges will set up a new consortium for further collaboration. All the staff from WYCA will move to Calderale College or the Luminate Group.</p> <p>New finance system: the roll out of the purchase ledger is going well and staff are getting used to the new system. All college data is now on the same system. The rest of the finance system is already up and running. Whilst there have been some teething issues, the Audit Committee received substantial assurance on an audit on financial controls yesterday.</p>	<p>19</p> <p>20</p> <p>21</p> <p>22</p>
<p>5</p>	<p><b>Procurement of a new Distance Learning Partner</b></p> <p>JP confirmed he had already received some helpful challenge from the Chair in advance of the meeting.</p> <p>The financial regulations state that expenditure of over £250k needs to go through a tender process. However there is a mechanism for a waiver to this, and this is recommended in this instance.</p> <p>Selby College had benefitted from a partnership with Market Smarter, who generated good leads. However, they are not able to continue this for the group and learners are needed for this academic year. (The group can go to tender for support for future years)</p> <p>The recommendation is to use the Skills Network. It will cost 330k to generate £1 million and they will do the recruiting and on boarding process.</p>	

	<p>Governors questioned if this was subcontracting and it was confirmed it was not – it was a route to use for recruitment only and all delivery would be from college staff. It would only be used as an interim measure to achieve the distance learning needed.</p> <p>Governors questioned if they worked with others locally and how they would choose which college to offer the learners to? They also asked what their reputation was like and what risks the group could be exposed to.</p> <p>After assurance, governors recommended the use of the Skills Network, and the group should go to tender for work in the future.</p>	
<p><b>6</b></p>	<p><b>FE Colleges Classification</b></p> <p>JP provided an update, having attended the finance director’s network meeting last week.</p> <p>A change to the college year is on the horizon.</p> <p>Buildings valuations every 5 years will also be required.</p>	
<p><b>7</b></p>	<p><b>Financial Strategy</b></p> <p>Governors reviewed the draft strategy, and the reasons why the timing of this exercise was proving problematic.</p> <p>However, governors agreed it address a number of short-term issues whilst affirming some longer term group objectives.</p> <p>Governors agreed the timing needed to be amended (2024 or 2025).</p> <p>The context needed review, to confirm the uncertainty and the current environment, and would also need regular review.</p> <p>Governors questioned if it was clear where the college is now and where it needs/ wants to be?</p> <p>It was agreed that JP would develop section 3 on classification, and add additional wording under flexibility.</p> <p>It was also noted that performance should be measures against metrics but also against effective risk management too.</p> <p>Paragraph three – it was agreed to change “personnel” to people”.</p> <p>It was confirmed it is the intention to return to outstanding financial health – and this could be an aim for 2025.</p> <p>Governors asked what financially “robust” meant? It could not be used for assurance purposes if clear parameters are not agreed.</p> <p>Borrowing – it was agreed to change the wording to “at least good” financial health.</p>	

	<p>Profitability – it was agreed the objectives do not currently spell this out clearly, and there were only targets for this year and not the next two years.</p> <p>It also needs to refer to both cash and revenue.</p> <p>Governors agreed it generally reads well and would support the policy, subject to the amendments above.</p> <p>Governors then confirmed they would like a Reserves Policy and a Minimum Cash Policy to be approved at the next meeting.</p>	<p><b>23</b></p> <p><b>24</b></p>
<b>8</b>	<p><b>Estates and Infrastructure</b></p> <p>The policy will be reviewed at the strategy day in May.</p> <p>Due to the reclassification, the group have received a substantial grant. There will also be a loan system available for the sector.</p> <p>The Director of Estates is retiring in the summer and this will impact on capacity to complete projects this summer. However 95% of the estate is classed as Grade A – meaning it is good.</p> <p>Sustainability will also be reviewed in the board planning day an £400k has been granted for sustainability projects. This will be used for battery back up at each site and also for solar panels on two sites.</p> <p>Governors asked if there was an aspiration to be carbon neutral and any timescales for this? Not yet.</p> <p>Governors questioned plans for the IT project and were told that new infrastructure was being installed at Selby College. The group migration is planned over the summer.</p> <p>Selby College will move from using Google Classroom over the summer too.</p> <p>Over time Jack Leng, the new Head of Digital Learning, will develop a new virtual learning environment.</p>	<b>25</b>
<b>9</b>	<p><b>Group Treasury Management Policy</b></p> <p>Governors approved the new policy, for ratification at the board meeting.</p> <p>Governors asked why there was no 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, and a sentence should be added to explain how this figure was reached (eg to maintain payroll for the group)</p>	<p><b>26</b></p> <p><b>27</b></p>
<b>10</b>	<p><b>Effectiveness of the meeting</b></p> <ul style="list-style-type: none"> <li>• Good discussion</li> <li>• Effective challenge</li> <li>• Separating out the People items enabled more meaningful discussion on financial items</li> </ul>	

