Minutes of the Finance Committee meeting held
on Tuesday 16 March 2021 at 8.00am
By Microsoft Teams
Birmingham Metropolitan College

Present	Apologies
Cliff Hall (CH)	Sir Dexter Hutt
Hilary Smyth-Allen (HSA)	
Peter Croom (PC)	
Asha Devi (AD)	
In attendance	
Louise Jones (LJ)	
Martin Penny (MP)	
Fiona Yardley (FY)	
Stephen Belling (SB)	
Hilary Barber (Clerk)	
Alison Jones (AJ) from 9.00 am for Item 9	
Sam Coles (SC) from 9.00 am for Item 9	

Reference	Agenda item
	Apologies
	Apologies were received from Sir Dexter Hutt.
	Declarations of Interest
	No other declarations were received in addition to those contained in the College's Register of Interests.
1.1	**Minutes on Finance Committee held on 01 December 2020**
	The minutes of the meeting held on 01 December 2020 were accepted as a true and accurate record of the meeting. **IT WAS RESOLVED THAT:** **FC21: 01** **The minutes of the meeting held on 01 December 2021 are approved.**
1.2	**Action Log and Matters Arising**
	All actions are completed.
2	**Chief Finance Officer Appointment update**
	SB reported that there is one remaining candidate with whom deliberations are ongoing. A full update will be given to Corporation on 18th March.
3	**KPI Progress Report**
	LJ noted that the report is updated to the end of January 2021 and highlighted the following:

	▪ The position with 16-18 students remains similar to the last report and the ESFA have now confirmed a reduction in funding of £1.752m compared to the estimate of £1.8m. ▪ Currently applications are 2% lower than the same period last year; however, attendance at interview is up by 19% and offers accepted are up by 39% compared to the same point last year. ▪ KPI 2: progress is good. Three measures are green and one red which is development actions by teachers. Whilst there is a lot of activity this is not yet recorded. ▪ Point 3 – kindly note that 3 measures should be flagged as red and 1 as amber. Work Experience continues to be a challenge in the current circumstances. ▪ KPI5: 2 measures are flagged amber and 2 are red reflecting EBDIT/staff costs as a percentage of income. **Governors' Questions and Observations** ***"The table included in the presentation makes the information clearer – thank you." (HSA)*** ***"It would be helpful to include a key to explain the function of the up and down arrows." (AD)*** ***"As we move forward into a full year of Covid impact, what is the most appropriate year against which to benchmark?" (PC)*** LJ noted that at the same period last year, Open Events and school visits were still taking place. Consideration will be given to the most relevant benchmarking information and the commentary amplified to add more meaning to the statistics. LJ suggested that the greater risk will be to look at comparisons next year to this year but assured governors that there is no complacency within teams to address the challenges. **IT WAS RESOLVED THAT:** **FC21: 02** **The KPI Progress Report be noted.**
4	**Management Accounts for January 2021**
	MP presented the report to the end of January for review. The following points were noted: ▪ The accounts reflect a full year of Covid impact. ▪ Income earned has reduced due to lockdown and the delay in starting rail provision. ▪ The reduction in HE income reflects a lower number of learners. Drop-outs will have a knock-on effect in Years 2/3 and this is taken into account as part of business planning. ▪ Savings of £400k relating to staff costs are included in the accounts resulting from non-delivery and a reduction in the use of agency staff. Additionally the sickness budget still has a balance of £100k. ▪ Non-pay costs are behind profile. ▪ At the end of February, the figure for cash days is 71. MP noted however, that the WMCA has been informed that the college will not deliver £100m of AEB in year. Discussions have taken place to ascertain if this funding will be re-claimed or attributed to unavoidable Covid impacts. This potential clawback has been built into the accounts and a response is awaited from the WMCA. Currently the college is being paid on profile. ▪ Governors were asked to note that £2.4m of cash in the bank belongs to the WMCA. A decision needs to be made by the WMCA about possible clawback as soon as possible – not at the end of the financial year. ▪ The WMCA have confirmed that payback of a previous clawback of £1.136m will be scheduled over 24 months at an affordable £45k a month. ▪ The accounts show that: - it is likely that the EBITDA target will be missed by around £700k. - % income has been reduced to reflect likely delivery and the non-pay contingency has been removed. - The deficit percentage of income will not be recovered. - Current ratio will recover by the end of the year mainly due to the cash position. - Barclays have confirmed that they have received credit approval to re-set the bank covenants. Approval is awaited from the ESFA to confirm they will waive previous breaches. Lloyds are waiting for this decision by the ESFA but the process should be completed by 31 March 2021 and is a positive step towards the potential lifting of the Financial Notice to

	Improve. **Governors' Questions and Observations** ***"Re: Section 2, page 3 – do you anticipate that the measure relating to staff costs as a percentage of income flagged amber will progress to green? Are there consequences in staff numbers rising?" (HSA)*** MP responded that the measure is likely to stay at amber. However, it is anticipated that it will move nearer to target as rail provision increases and generates further income. MP also noted that the percentage is line with the FE college sector expectation of 65%. ***"Are there any deferred Covid related costs included in the cash reported?" (PC)*** FY reported that it has been agreed, under the Covid Relief Scheme, that a tax liability of £700k resulting from the sale of Hagley Road can be repaid at £70k a month. MP added that a £500k VAT refund has been received. ***"Recommend the need for a wider debate which maps the impact Covid has had on Adult Learning and what the implications could be going forward. Is a new approach needed to Adult Learning which identifies the specific sectors to which the college should be aligned?" (AD)*** MP noted the potential impact of national decisions, e.g. new courses which will be fully funded. There remains a need to maximise the AEB provision and VPs are working to ensure that the colleges' offer targets the right markets and addresses future adult re-training/re-skilling needs. This is a crucial part of current business planning. ***"Are the figures reported against creditors valid?" (PC)*** MP noted that the Intu debt should have been raised against Dudley College, not BMet as the transactions were post-transfer. However, the Intu website refers all enquiries to PWC but to date, and despite many attempts, it has not been possible to obtain a response from them. This "debt" will not need to be paid and will be removed from the college accounts in due course. SB reported that the issue with Succeed had been settled with the college receiving £20k. HSA thanked MP and FY for the updated management accounts. **IT WAS RESOLVED THAT:** **FC21: 03** **That the Management Accounts for January 2021 be approved.**
5	**IFMC February Return**
	MP explained that this return is part of the reporting schedule and shows actuals to the end of December. There is ongoing debate as to whether the May report will be required given the submission of a report at the end of February. **IT WAS RESOLVED THAT:** **FC21: 04** **That the IFMC return is noted.**
6	**FEC Benchmarking**
	MP noted that the FE Commissioners have revised their financial benchmarks (see details included in pack). Whilst the metrics are not used to trigger intervention, it is anticipated that this *could* be the

	method of initiating early intervention. A review of the changes has identified what the impact could be currently for the college and it is likely that measures would show 3 green ratings, 1 amber and 2 reds. The "adjusted current ratio" should be greater than 1.4 but currently is 0.6/7. The benchmarks require cash days for all months to be at least 25; however, this is challenging across the whole sector in the period February-April due to the nature of the funding schedule. Although BMet's position is positive, the forecast for February and March is around 22/23 days and 16.1 days for April. Pay costs are fine, the financial health check will be fine once "good" is achieved as is debt service cover. It is difficult to achieve the required level of adjusted operating surplus as a percentage of income. MP recommended that this return should be monitored in conjunction with the College's internal KPIs and the ESFA financial health check. CH asked if the committee should receive an update of progress against the FEC benchmarks at each future meeting. ***"Suggested that the table should be included in committee packs to evidence that governors are fully aware of the requirements and have opportunity to discuss them." (HSA)*** MP suggested that finance papers circulated to committee members could include a summary of key information for governors to include KPIs and specific financial detail. ***"Noted that this should be considered in the context of the appointment of a new CFO and Principal and with their agreement." (HSA)*** **IT WAS RESOLVED THAT:** **FC21: 05** **That the FEC benchmarking report be noted.**
7	**Property Disposal Report**
	LJ noted the report circulated for information and the inclusion of an update on the FE Capital Transformation Fund therein. LJ highlighted the current negotiations with the Landlord of Kidderminster College around dilapidations. A figure of £332k has been included in the accounts which exceeds the anticipated outcome of final costs. There have been delays in exchanging contracts with Kidderminster Harriers for the Centre of Sporting Excellence. It is hoped that this will now take place by the end of March. Work continues with Kidderminster College about the transfer of provision. Formal agreement will be sought from Corporation at the May meeting. The work agreed as part of the current FECA funding was approved in January and has now started. The government has allocated a new tranche of funding which is designed to address maintenance conditions. The College's five-year Estates Plan identifies aspects to be included in a bid which will brought to Corporation for approval at the meeting on Thursday. The submission deadline is 21 March with decisions notified on 15 May with a second stage application by the end of July. **Governors' Questions and Observations:** ***"Presumably, the focus of the bid will be those works measured as red/amber in the conditions survey. Is the need to meet the target of being net carbon by 2030 being explored alongside works identified? The maintenance plan needs to dovetail with this imperative and ensure that the college explores all funding opportunities and grants and does not leave it itself open to incurring penalties for non-compliance." (AD)*** CH and LJ responded that whilst it is unlikely that any current actions counter the necessary reductions, they acknowledge the importance of ensuring there is an effective strategy in place to address the need for carbon reduction. LJ noted that sustainability will be a "key pillar" of the bid. **IT WAS RESOLVED THAT:**

	FC21: 06 That the Property Disposal Report be noted.
8	**Planning and Resourcing for 2021-2022**
	LJ reported that the planning is informed by labour market information and is part of the normal cycle that takes place each year. LJ noted the complexity this year resulting from the changes to funding streams and highlighted the following: ▪ Planning will be completed by the end of March and governors updated. ▪ A reduction of £1.72m has been confirmed for the 16-18 allocation. ▪ There is an expectation that some Catch Up fund will be made available. ▪ The income for Apprenticeships is likely to be similar to last year at around £1.1/£1.3m but is anticipated that this will increase during the year. ▪ The two funds that are more challenging for the coming year are the Adult Education budget and the Adult Learner loans resulting from funding changes from April. ▪ The plan includes the clawback from 2019/20. Planning is difficult as the college awaits confirmation of its allocations from both the ESFA and the WMCA. There may still be funds to bid for during the year following initial allocations. ▪ Rail has been delivered from January. Although currently numbers are low, it is encouraging to see them growing. ▪ HE – some courses are being discontinued for a variety of reasons, e.g. Football Foundation Degree (transfer of CoSE), Podiatry (the University of Wolverhampton who has validated the course for BMet in the past is creating its own provision) and Early Years (served notice of partnership by Derby University). This results in a loss of income of around £500k. ▪ Planning will continue over the next two weeks to ensure appropriate provision, group sizes and staffing levels whilst awaiting confirmation of funding allocations to inform final completion. A full update will be presented to governors after Easter. **IT WAS RESOLVED THAT:** **FC21: 07** **That the report be noted.**
9	**Gender Pay Gap Report**
	AJ presented the report, previous circulated, noting that it complies with legislation included in the Equality Act. AJ highlighted the following: ▪ The mean gender pay gap is 2.3% (last year 4%) ▪ The median gender pay gap is 8.1% (last year 12.3%) ▪ This compares favourably to the overall national median pay gap of 15%, and the FE sector median of 14.6%. ▪ The increase of female staff in the upper quartile was noted, as was the reduction of female staff in the lower quartile. ▪ These improvements are attributable to: - the College's adherence to pay scales - incremental pay progression (subject to performance) - the College's support for flexible and agile working opportunities **Governors' Questions and Observations** ***"Given imminent appointments at senior level this picture will have changed again in a year's time. Should information for governors be extended to include other aspects, e.g. ethnicity?" (HSA)*** AJ responded that a further report to address this will be brought to governors. Additionally a report excluding the staff at Stourbridge will be compiled to show the current position at BMet and identify whether the movement is true or reflects the impact of Stourbridge staff. ***"How would a question about the gender pay gap from a female in the higher quartile be addressed?" (AD)***

	SC suggested that it is in the upper quartile that the gap is closing; of more concern is the number of females in Q1/2. AJ noted numbers of females in the part time category is higher and that most male part time staff are associate lecturers whereas many female part time staff are in support and hourly paid roles. ***"There are more males than females who are taking up flexible working in the higher tier. For this reason we need to be stronger in our response. Should we be planning a financial model for future years that achieves a balance in that pay gap and the potential financial impact? (AD)*** "***Agree – we need a wider story and to understand its financial implications." (HSA)*** "***There is a huge focus within the Local Authority and WMCA around the Commonwealth Games and the opportunity to promote equality. The College will be in the limelight – how can it maximise this publicity?" (AD)*** MP asked if the report could include a key to explain the male/female symbols. **IT WAS RESOLVED THAT:** **FC21: 08** **The Gender Pay Gap Report be approved, and further scrutiny carried out as suggested during the discussion.**
10	**Matters to report to Corporation**
	The following were agreed: ▪ The reforecasting of the AEB budget within the management accounts. ▪ The FEC benchmarking process. ▪ An update on the Property Report. ▪ The Gender Pay Gap report and the recommendation for future scrutiny and financial planning.
11	**Any Other Business**
	SB asked the committee members to approve Bank authorisations as follows: • Chairs of Audit and Finance committees ▪ The Principal ▪ The Chief Finance Officer ▪ The Company Secretary SB confirmed that there is no change to the protocol which is included in the Financial Regulations. This update is to ensure that postholder names are current. ***"Re: purchase orders. Whilst the picture is improving, there still seems to be a significant number of invoices without a Purchase Order. This represents an uncomfortably high risk." (AD)*** FY responded that the value of such orders has reduced to £336k in February. These are strictly monitored and chased, including escalating to managers where there is regular non-compliance. The value represents 69 invoices. CH reported on a very positive email received from Brian Sweeney of Barclays noting the significant changes to the quality of the financial position, controls and information since MP took up post and recognising and thanking MP for his work. **IT WAS RESOLVED THAT** **FC21:09** it be recommended to Corporation that the Financial Regulations are amended to take account of the change of assistant Principals to Vice Principals **FC 21;10** The Chairs of Finance and Audit Committee, the Principal, CFO and Company Secretary be noted as Authorised Representative of the college for dealings with banks. HSA thanked MP and FY for their work and the meeting closed at 9.33 am.

Signed: HSmythAllen

Chair: Hilary Smyth Allen