

Finance and Employment Committee Minutes

Meeting held on Thursday 18th March 2021 at 5.30 pm, via Zoom

- Present:** Phil Cook (Chief Executive and Group Principal), Louise Davies (Committee Vice Chair) and Mark White (Corporation Chair)
- Officials:** Phil Hastie (Group Executive Director Planning and Infrastructure), Erika Marshall (Group Director of Marketing), Gary Potts (Group Vice Principal Business, Innovation and Partnerships), Fiona Sharp (Group Executive Director Finance), Kay Taylor (Group Director of HR), Sarah Thompson (Clerk to the Corporation) and Sam Young (Governance Support Officer)
- Apologies:** Martin Gray and Phil Heathcock

Welcome

The Corporation Chair informed members and officials that Russ McCallion had reluctantly tendered his resignation as an Etc. governor due to his increased workload at PD Ports; all governors would be informed the following day. The Committee's Vice Chair, Louise Davies, agreed to chair the meeting and formal nominations for the position of Committee Chair would be considered at the next meeting.

F21/1 Agenda Item 1 - Minutes of Previous Meetings

Agenda Item 1.1

The minutes of a Finance and Employment Committee meeting, including the confidential appendix, and a joint Audit and Finance and Employment Committee meeting, both held on 26 November 2020 had been circulated and were **approved** as accurate records.

Agenda Item 1.2 – Matters Arising

The Group Executive Director Finance confirmed that the first action, originally assigned to the Group Executive Director Planning and Infrastructure, had now been incorporated into Group Monthly Management Accounts reports. All actions from the joint meeting held in November 2020 had been completed; the Group Executive Director Finance explained that the Emerging Issues appendix was no longer routinely produced by RSM. This had also been discussed at the previous week's Audit Committee meeting and Finance and Employment Committee members agreed with the Audit Committee's decision that the action regarding contextualisation was therefore not required. All other actions had been completed; progress against actions was **noted**.

F21/2 Agenda Item 2 – Group Monthly Management Accounts (MMA6)

The Group Executive Director Finance presented the previously circulated monthly management accounts (MMAs) for period 6, to the end of January 2021. Performance Review

(PR) 6 had now concluded and had confirmed the Group's positive financial position. In response to a request at the previous meeting, the percentage of income from different government funding and other income streams had now been included. In particular, members were updated on progress on the capital programme for 2020-21 and, as expected, the Education and Skills Funding Agency (ESFA) financial health grade for the Group was showing as 'Good'. Cash balances remained healthy and the bank covenants for 2020-21 were showing as compliant. The Group Executive Director Finance explained that, although changes to expenditure approval limits had been approved in the Financial Regulations in December 2019, she had continued to approve transactions exceeding £2k due to the potential risks of working remotely during COVID-19. Working relationships with new account managers at Barclays continued to be positive and the Group Executive Director Finance confirmed that she would be meeting with Claire Leece from RSM the following day.

A member commented that benchmarking against other colleges would help with contextualising the percentage of income received from each funding stream; the Group Executive Director Finance agreed to include annual benchmarking and would provide this for the next meeting. In response to a member's question, the Group Executive Director Finance confirmed that, though lessening, the impact of COVID-19 remained the biggest concern, with the Group mindful of continued uncertainties.

Members **noted** the Group Monthly Management Accounts (MMA6).

Agenda Item 3 – Group Budget Monitoring Reports

F21/3 Agenda Item 3.1 – Core Income

The Group Executive Director Planning and Infrastructure confirmed that the core income position was similar to that presented at the previous meeting; 16-18 income was generally higher and apprenticeship income lower (Covid related) than forecast but the overall income position was positive.

In response to a member's question on additional ESFA 16-18 Programme Funding income, the Group Executive Director Planning and Infrastructure explained that the Group had received additional tuition fees to support learners to 'catch up' and, having originally taken a prudent approach to the level of allocation for TTE learners, the confirmed final figure had been greater than budgeted.

In response to a member's question, the Group Executive Director Planning and Infrastructure confirmed that the apprenticeship income figure had been tested and confirmed through PR6. The Group Vice Principal Business, Innovation and Partnerships explained that apprenticeship recruitment was increasing, helped by government incentives, which would have a positive effect on income in the medium term. A member asked if apprenticeship new starts were expected to increase or decrease going into 2021-22 and the Group Vice Principal Business, Innovation and Partnerships confirmed that he was planning for an incremental increase taking apprenticeship income to pre-COVID-19 levels, though still below forecasts made prior to the pandemic. Government incentives would only be in place until September so a drop to normalised levels was anticipated after then. A member asked about the impact of the move from Frameworks to Standards; the Group Vice Principal Business, Innovation and

Partnerships explained that income would increase given that Standards were funded at a higher rate than Frameworks, adding that currently more Etc. apprentices were on Standards than on Frameworks. The member added that it was therefore possible to have lower apprenticeship recruitment but higher income and it would be helpful if these figures were clarified in future reporting. The Group Vice Principal Business, Innovation and Partnerships also commented on the different timings of income and costs, with higher end point assessment costs for Standards.

Members **noted** Core Income at period 6.

F21/4 Agenda Item 3.2 – Non-Core Income

The Group Executive Director Planning and Infrastructure highlighted that non-core funding streams were in line with budget; full-cost provision was going well post-lockdown but income had been adversely affected by the January lockdown. A member asked about any mitigating measures and the Group Executive Director Planning and Infrastructure explained that consideration was given to this through PR with the expectation that costs should be reduced in line with any reduced income. In response to a member's question about alternative provision, the Group Executive Director Planning and Infrastructure outlined that income for 14-16 provision forecasted at PR3 had not been received as planned and he agreed to update members on progress with this issue at the next meeting.

Members **noted** Non-Core Income at Period 6.

F21/5 Agenda Item 3.3 – Additional Learner Support (ALS) Income

The Group Executive Director Planning and Infrastructure reported that High Needs Element 2 funding would be achieved in line with budget but that Element 3 funding was expected to be marginally lower than budget as a result of detailed work on the individual costs of each learner. The focus was now on plans for the following year including consideration of possible improvements to the transportation offer to learners, for which costings were under development.

Members **noted** Additional Learner Support Income at Period 6.

F21/6 Agenda Item 3.4 – Capital Grants

The Group Executive Director Finance confirmed that capital grants income had increased on budget in-year due to the additional ESFA funding for FE Conditions and Learner Support for IT and support from the Sir William Turner Foundation for the theatre refurbishment at Redcar and Cleveland College (RCC). Members noted the financial support from the Sir William Turner Foundation and agreed that the Corporation Chair should liaise with the College Principal RCC on a suitable formal acknowledgement of that support. It was also agreed that the Group Executive Director Finance and College Principal RCC should update the committee on the impact, both qualitative and quantitative, of the support of the Sir William Turner Foundation at a future meeting.

Members **noted** Capital Grants Income at Period 6.

F21/7 Agenda Item 3.5 – Project Income

The Group Vice Principal Business, Innovation and Partnerships highlighted that the potential financial risks of reduced project income had been flagged in the previously circulated report; the impact of COVID-19 on delivery of some projects to meet end of year targets was being monitored. A member asked if interest had increased to coincide with the end of lockdown and the Group Vice Principal Business, Innovation and Partnerships explained that the team constantly had projects and initiatives in the pipeline and had also developed remote working in, for example, the Skills Support for the Unemployed (SSU) and Youth Employment Initiative (YEI) projects. Other project income, such as that for Taking Teaching Further and Gatsby, provided staff development delivery and these projects had continued. Members agreed that an update on the impact of the Taking Teaching Further project from the College Principal Stockton Riverside College (SRC) would be useful, either to this committee or to the Standards Improvement Committee or both.

Members **noted** Project Income at Period 6.

F21/8 Agenda Item 3.6 – Other Income

The Group Executive Director Finance outlined the impact on commercial income from COVID-19 and added that the Group continued to take advantage of the Job Retention Scheme as needed. She also highlighted the impact of reduced interest rates on the level of Interest Receivable from the main current account and Green deposit accounts.

Members **noted** Other Income at Period 6.

F21/9 Agenda Item 3.7 – Subcontracting

The Group Vice Principal Business, Innovation and Partnerships reported on work with a new subcontractor, NC Group, offering pre-employment training programmes designed for specific employers. He also gave an update on the ESFA's consultation on subcontracting and agreed to provide a full summary and any required actions to the next meeting.

In response to a member's question, the Group Vice Principal Business, Innovation and Partnerships confirmed that all required actions from the first stage of the consultation had been implemented, though some additional measures could be needed in response to the second stage. Members agreed that all governors should be updated on the consultations and any changes to the role of governors in subcontracting. A member asked about the quality and financial assurance process in relation to a new subcontractor; the Group Vice Principal Business, Innovation and Partnerships outlined the due diligence pro-forma, including evidence provided by the subcontractor, references from other providers, quality data, checks on directors and credit checks, which was completed at the start of any contract and refreshed annually. The Group Executive Director Planning and Infrastructure added that subcontracting was also subject to annual audit. The Group Vice Principal Business, Innovation and Partnerships agreed to pass on the committee's thanks to Lisa Wells, Commercial Sales and Operations Coordinator.

Members **noted** revised subcontracting levels and working with a new subcontracting provider and **agreed** to recommend their approval to Corporation.

F21/10 Agenda Item 3.8 – Pay Costs

The Group Executive Director Finance outlined the additional academic staff costs incurred by delivery of the tuition fund, which had been offset by increased Core income. It was also noted that, whilst the group would receive some additional funding to cover additional costs as a result of COVID-19, including mass testing facilities, the level of funding had not yet been confirmed; COVID-19 related costs would be collated from each department at PR6. Restructuring costs remained in the budget but it was possible that forecast levels would not be required.

A member requested more detail on levels of permanent, hourly paid and agency staffing including any outlier departments; the Group Executive Director Finance agreed to work on this with the Group Director of HR for possible inclusion in the Great Place to Work update. In response to a member's question, the Group Director of HR also agreed to report on oversight of the length of casual contracts in future Great Place to Work updates.

Members **noted** Pay Costs as at Period 6.

F21/11 Agenda Item 3.9 – Non-Pay Costs

The Group Executive Director Finance confirmed the variance to Central Support Expenses included an estimate for [REDACTED] planned consultancy costs relating to development of the property strategy; most of the other variances to expenditure had been funded from the FE Conditions Grant and College Collaboration Fund. In response to a member's question, the Group Executive Director Planning and Infrastructure explained that the Group was working with AA Projects on capital grant applications on a risk-sharing basis.

Members **noted** Non-Pay Costs at Period 6.

F21/12 Agenda Item 4 – Student Recruitment Update

The Group Director of Marketing summarised the current status of student recruitment for 2020-21, which was currently on target with increased interest in Prince's Trust programmes from May onwards; the focus had now shifted to recruitment for 2021-22 and, with offers higher than at this time the previous year, detailed analysis was currently underway. Face to face open events were due to resume with the first to be held at RCC on Saturday 20th March. Applications for Higher Education (HE) courses were also higher than this time last year as a result of focussed messaging on studying local and marketing campaigns targeting employers. The Group Vice Principal Business, Innovation and Partnerships also commented on recent positive recruitment to apprenticeships.

In response to a member's request, the Group Director of Marketing agreed to add the percentage difference on previous years as well as the student numbers. A member noted the dramatic increase in Group 16-18 recruitment and the Group Director of Marketing confirmed that this had been tested against demographics and that the potential growth was reflective of increased local market share as opposed to solely demographics. She added that the improvements in reputation of each campus played a critical role in increased enrolments. In response to a member's question about Academy of Performing and Technical Arts (APTA) recruitment, the Group Director of Marketing confirmed that recruitment had increased by about 30% as a result of focused campaigns including engagement and support through social

media and masterclasses for both current and prospective students. In response to a member's comment on previous quality issues, the Group Director of Marketing confirmed that processes had been put in place to quality assure external APTA productions.

A member asked if processes had been put in place to mitigate against any unpredictabilities in centre-assessed grades (CAGs); the Group Director of Marketing explained that possible over-inflation of grades had been of particular concern at Bede and steps had been put in place to assess whether the right learners were on the right courses in order to maintain retention and achievement levels and do right by the student. The Chief Executive added that, with A Level and GCSE results days having been brought forward in 2021, the Group were working to ensure that sufficient staff were available to manage enrolment to mitigate against the risk of losing learners should they be unable to enrol on results day. The Group Executive Director Planning and Infrastructure highlighted that the Group were anticipating further catch-up funding in 2021-22 and would be evaluating the impact of this year's programme to inform future plans.

Members **noted** the update.

F21/13 Agenda Item 5 –Finance Reports (Subsidiary Companies)

Agenda Item 5.1 – NETA Finance Update

The Group Executive Director Finance explained that the update was as reported to the most recent NETA Board meeting; the strong management team had a good handle on finances and in particular commercial costs and this had resulted in the intercompany loan having been paid off, though the facility would remain in place. The NETA Board had also supported the idea of support services recharges and this would be explored through Business Planning.

Agenda Item 5.2 – Tees Valley Catering (TVC) Finance Update

The Group Executive Director Finance added that the team at TVC had been responsive to Group needs during COVID-19; the intercompany loan facility would remain in place and helped to deal with fluctuations in cashflow when on-site attendance was low (Covid related). Risks had been mitigated by the use of furlough and flexi-furlough and had helped TVC to provide as flexible a service as possible.

Members **noted** the updates.

F21/14 Agenda Item 6 – 2021-22 Budget Development and Planning

The Group Executive Director Finance gave a verbal update on the conclusion of BP1; information from all the meetings would be collated and direction set for budget holders in time for BP2, beginning towards the end of April. BP3 would start in June, after which the final budget for 2021-22 would be firmed up and brought to Finance and Employment Committee for consideration later in June.

Members **noted** the update.

Agenda Item 7 – Great Place to Work Update, including Staff Survey

F21/15 7.1 – Great Place to Work Strategic Objective, including HR Update

The Group Director of HR explained that the current focus of the Great Place to Work strategy was on health and wellbeing and on people / performance management. She was pleased to inform members that the Group had recently achieved the Better Health at Work Gold award. Attendance levels continued to be monitored on a daily basis during COVID-19. Due to the impact of COVID-19, government guidance had been updated and the requirement to publish gender pay gap reporting had been deferred to 5 October 2021; the Gender Pay Gap Report would therefore be brought to the June Finance and Employment Committee meeting.

A member asked how staff morale was on the return to college and the Group Director of HR explained that this had been discussed at the Staff Welfare group the previous day; responses had been mixed with some staff really wanting to be back on-site and some with anxieties, but overall it was felt to be a morale boost for staff. Mental health reasons were prevalent in the recent increase in staff absence rates but managers were handling cases well. She added that hybrid working would need careful monitoring but overall staff felt reassured by staff communications and the testing regime in place and there were no particular areas of concern.

A member commented on the positive feedback on the Better Health at Work Gold award submission and the Clerk agreed to share this via the Governors' Digest.

Members **noted** the update.

F21/16 7.2 – Staff Survey

The Group Director of HR outlined the key results from the recent staff survey; results had been benchmarked against 47 FE colleges and represented a positive picture throughout, including distance travelled in the three-year comparison. As in previous years, key highlights had been published on the website, including that 96% of staff considered Etc. to be a good place to work and that 96% would recommend the college to family and friends as a great place to study, in order to attract both staff and students. Two areas of focus had been identified and, as strategic lead on staff survey, the Group Director of HR confirmed that she would be working with other senior managers to drive improvements in Health and Safety and Personal Development and Skills. Initial analysis of staff comments suggested that the dip in staff feeling safe at work had been largely in relation to the effects of COVID-19, including anxiety at the return to work on site, being able to create a COVID-secure environment and ensuring people understood the guidelines. Similarly, in terms of personal development, the increased reliance on technology and MS Teams had been a major factor in confidence in the use of computers and apps needed in work roles remaining at the same level as in the previous year's survey.

Members commented on the positive results and in particular recognised the forward travel made; a member thanked the Group Director of HR for clarifying that the 3% dip in feeling safe at work was not a safeguarding issue but related to health and safety. Members noted that it was positive that communication had been rated highly given that most staff had been working offsite. The Chief Executive updated members on arrangements for college principal

and departmental briefings; he added that many questions posed by staff at these concerned future-proofing. The Group Director of HR commented on the value of these varied levels of communication in giving staff assurance including specific information on COVID-19 and the Chief Executive's All Staff emails.

Members **noted** the results of the staff survey.

F21/17 Agenda Item 8 – Infrastructure Update including Property Strategy

The Group Executive Director Planning and Infrastructure updated members on onsite testing statistics; 5000 tests had been undertaken, with five positive cases identified, with consideration currently being given to suitable formal thanks to volunteer staff. The Group Property Strategy had been agreed in principle following a briefing to governors on 24 February and consideration at the FE Corporation meeting on 4 March. He outlined the key projects for which grant applications would be submitted, including possible remodelling at SRC, plans for updating NETA facilities, Town Deal projects and T-Level funding applications for Bede and RCC. With support from AA Projects, two applications would be submitted to the FE Capital Transformation Fund, followed by three site-specific T-Level Capital funding applications. An executive summary of the Property Strategy would be circulated to all governors the following day for comment.

A member asked about arrangements for sharing risk and the Group Executive Director Planning and Infrastructure explained that there was a fixed cost for development of the full Property Strategy and cost sharing for AA Projects' support for the grant applications. AA Projects had already incurred costs for site surveys, costings and initial plans for the first stage of applications and would need to further develop plans should the bids be selected to go through to the next stage.

Members **noted** the update.

F21/18 Agenda Item 9 – Any Other Business

There were no items of other business.

F21/19 Agenda Item 10 – Date and Time of Next Meeting

The next meeting had been scheduled for Thursday 17 June 2021, 5.30 pm, via Zoom. Due to member availability, the Clerk agreed to consult members regarding an alternative date or time. The start time of the meeting was subsequently changed to 4.30 pm.

F21/20 Agenda Item 11 – Approval of Documents for Inspection

It was **agreed** that the agenda for the current meeting be made available for public inspection; supporting papers for all agenda items were deemed commercial in confidence. Minutes of this meeting would be made available for public inspection following committee approval.

F21/21 Agenda Item 12 – Key Themes

The following items were identified as key themes:

- Monthly Management Accounts for Period 6 (to the end of January 2021) and budget monitoring reports considered
- Revised subcontracting levels and working with a new subcontracting provider, NC Group Ltd, recommended to the FE Corporation for approval
- Updates on student recruitment, 2021-22 budget development and planning and the Group Property Strategy
- Great Place to Work strategy update, including achievement of the Better Health at Work Gold award and consideration of staff survey results

The meeting ended at 7.20 pm

Approved at a remote meeting held on 17 June 2021