

Finance and Employment Committee Minutes

Meeting held on Tuesday 20th June 2023 at 5.30 pm, Room 125 Bede Sixth Form College

Present: Stuart Blackett (Corporation Chair), Louise Davies (Committee Chair; Chair of Tees Valley Catering Board), Liz Dixon (Staff Governor), Grant Glendinning (Chief Executive and Group Principal), Amanda Olvanhill and Hamish Rutherford

Apologies: Fabienne Bailey

Officials: Jason Faulkner (Executive Principal Redcar and Cleveland College & NETA), Phil Hastie (Chief Operating Officer), Phill Iverson (Group Procurement Manager), Erika Marshall (Group Director of Marketing), Fiona Sharp (Chief Financial Officer), Kay Taylor (Group Director of HR & People Development), Sarah Thompson (Clerk to the Corporation) and Sam Young (Governance Support Officer)

In attendance: Rachel Robson (External Governance Reviewer, Stone King), via Teams

Minutes of the previous meeting, an actions progress log and reports had been circulated in advance of the meeting.

F23/20 Agenda Item 1 – Welcome, apologies for absence, declarations of interest, notification of other items of business

The Chair welcomed governors, officials and attendees to the meeting; apologies for absence from Fabienne Bailey were **noted** and accepted. The Clerk confirmed that Fabienne had submitted comments by email, which would be shared during the relevant agenda items. There were no declarations of interest on items on the agenda and no notification of items of other business.

F23/21 Agenda Item 2 – Minutes of previous meeting

The minutes of the Finance and Employment Committee meeting held on 28 March 2023 were **approved** as an accurate record of the meeting. The action progress log had been circulated and was **noted**.

Procurement and Social Value

F23/22 Agenda Item 3 – Procurement Strategy

The Chief Financial Officer introduced the Group Procurement Manager and explained that he was currently working on a full review of the Group Procurement Strategy. The Group Procurement Manager outlined the areas for review and highlighted that, in particular, the scoring process was heavily focused towards pricing, leaving the group exposed to being forced to choose the cheapest tender. Amendments to the Quality and Pricing Scoring were being trialled. Governors were invited to comment on the seven proposed key values for the revised Strategy. In addition, the Social Value statement, which accounted for 5% of scoring in tenders

and promoted local procurement, would be reviewed. A member of the Capital Group confirmed that social value had been evaluated in the major capital projects tender documents. It was noted that employing a Group Procurement Manager, rather than outsourcing procurement, would prove valuable in ensuring that added and social value offered in tenders were subsequently evaluated.

The Chief Financial Officer and Group Procurement Manager agreed to follow up a governor's offer of establishing links with Railpen's Head of Procurement.

A governor suggested that Value for Money could be at the top of the values list given the funding challenges in the further education (FE) sector. In response to a governor's comment, the Group Procurement Manager agreed about the key importance of sustainability in procurement in light of the target of Net Zero by 2050 and confirmed that, in order to score higher, accreditation such as ISO 14001 would need to be evidenced. The Group Director of Marketing was supporting on this aspect.

Whilst acknowledging that the group already appeared to be converting social value promises into action, a governor offered support from their own organisation; the Group Procurement Manager agreed to follow this up.

Governors supported the strengthening of procurement practices and **noted** the update on the status of the review of the Procurement Strategy.

F23/23 Agenda Item 4 – Student Transport Procurement

The Chief Operating Officer explained that this tender exercise provided an example of the Group Procurement Manager's work; he confirmed that, in line with the group's Financial Regulations, tenders with a value of over £100k needed to be reported to the Finance and Employment Committee and that, as the level of expenditure was above the Chief Executive's authorisation level, the committee was also required to approve the selection of Delta Coaches to provide dedicated bus services to the Bede campus.

A governor commented on the clarity of the tender process and asked why Hodgsons had failed the tender evaluation; the Group Procurement Manager explained that Hodgsons had only tendered for part of the route, from Barnard Castle, and that Etc. had sought tenders for the full bus service requirements.

Noting that the successful tender represented an annual saving on 2022-23, a governor asked whether the Group Procurement Manager was able to demonstrate his value to the Etc., the Group Procurement Manager confirmed that he kept an evidence log.

Encouraging students from, for example, Wynyard to study at Bede rather than travelling further afield to Darlington was discussed and the Group Director of Marketing confirmed that this was being developed as part of Bede's marketing strategy.

Governors noted that Delta Coaches, the existing suppliers, had achieved the highest overall score in the tender process and **approved** the selection of Delta Coaches to provide dedicated

bus services to the Bede campus; it was **noted** that the tender fixed the cost for a two year period, with the potential to either extend for a further two years or re-tender at that point.

Finance Issues

F23/24 Agenda Item 5 – Finance update and Group Monthly Management Accounts

The Chief Financial Officer highlighted that the Monthly Management Accounts (MMAs) to Period 9, 30 April 2023, showed an improved operating year end surplus [REDACTED], with no expectation that this would decline. The Education and Skills Funding Agency (ESFA) financial health grade was showing the group as 'Good' and the bank covenants for 2022-23 were showing as compliant. Departments of concern had been highlighted in the report [REDACTED]

[REDACTED], Governors commented that the financial position was more positive than reported at the last meeting and evidenced the effectiveness of the Business Planning / Performance Review (BP/PR) process.

The Chief Financial Officer highlighted that, with 2021-22 finance records now available, the report included the annual benchmarking against Tees Valley colleges; Etc. continued to have the lowest reliance on funding body grants as a percentage of total income which demonstrated the group's income diversification which helped to strengthen finances.

[REDACTED]

Governors **noted** the monthly management accounts for period 9 and the revised position following Performance Review 9.

F23/25 Agenda Item 6 – Group budget monitoring reports

Governors had been provided with a summary of budget monitoring reports with individual reports also available as part of the Reference Documents for the meeting; governors agreed that their questions had been covered in the previous agenda item.

Possible apprenticeship leads with the new creative and cultural sector offered by a committee member at the previous meeting had been facilitated, [REDACTED].

Governors **noted** the budget monitoring reports.

F23/26 Agenda Item 7 – Student recruitment update

The Group Director of Marketing highlighted that, at R04, 16-18 recruitment showed growth [REDACTED] The marketing and curriculum teams were now focused on keep warm activities to ensure maximum conversion; the increased interest in T Levels was noted, [REDACTED]. There would be more certainty in recruitment data following enrolment, including the level of students progressing. Discussions on future strategies for Higher Education (HE) were taking place with Teesside University.

A governor asked what strategies could be used to increase apprenticeship take up by younger people. [REDACTED]; there was often a spike in interest post-GCSE exams. In response to a

question about whether the group's apprenticeship offer was right, the Executive Principal RCC & NETA highlighted that the group was responsive to demand which currently predominantly came from larger organisations, with take up from Small and Medium Enterprises (SMEs) much lower. [REDACTED] It was noted that the Etc. apprenticeship offer had been consolidated, with non-sustainable and poor quality apprenticeships discontinued; an approvals process for new Standards had also been introduced requiring evidence of a pipeline and the availability of staffing and resources, taking a more strategic approach.

[REDACTED] The Chief Operating Officer explained that, although 16-18 targets were useful at departmental level, 16-18 income was allocated on a lagged year model; for example, the group's 16-18 allocation for 2024-25 would be advised by January 2024 based on 2023-24 recruitment.

[REDACTED] A governor commented that it was positive to see the One Etc. offer coming through, with effective cross-group work.

Governors **noted** the update.

Agenda Item 8 – 2023-24 budget development and financial forecasts (including funding allocations)

F23/27 8.1 – Funding Allocations 2023-24

The Chief Operating Officer explained that the funding allocations had been updated since the last meeting and provided a point in time comparison to the same time last year; this information was used to support the budget development process.

Governors commented on the usefulness of the information, noting that it was succinct and a valuable reference for governors.

The Chief Operating Officer highlighted that some funding streams, for example, tuition funding would not be available after 2023-24 and, as a result of reduced government grants, staffing costs would also need to be reduced.

A governor commented that it was surprising that the number of students qualifying for Free College Meals (FCM) was expected to reduce given the rising cost of living and asked whether the rules had changed. The Chief Operating Officer explained that disadvantage funding was calculated on prior achievement in English and maths and this had been skewed by Centre and Teacher Assessed Grades but agreed to double check the FCM funding line.

Governors **noted** the report.

F23/28 8.2 – Proposed subcontracting 2023-24 and proposed Subcontracting, Supply Chain and Fees Policy 2023-24

The Executive Principal RCC & NETA outlined that governors were asked to approve the parameters, with the partners stated, for proposed subcontracting activity in 2023-24 and the Subcontracting Supply Chain Fees and Charges Policy; he clarified that the proposed subcontracting was [REDACTED] more than the 2022-23 budget, rather than [REDACTED] as incorrectly stated in the report.

[REDACTED] It was confirmed that all subcontracted provision was reviewed against the group's strategic objectives and governors agreed that the group used specialist subcontractors to enhance its portfolio, including valuable Prince's Trust provision.

A governor asked about the requirement to reduce subcontracting levels; the Chief Operating Officer explained that, due to historic issues with some subcontracting, the ESFA viewed it as a higher risk though it was noted that ultimately the risk would lie with Etc. due to the funding agreement in place. Controls were in place and both ESFA and TVCA funded subcontracting was externally audited on an annual basis with certificates due for submission by the end of July each year.

Governors:

- i) **recommended** approval of the parameters, with the partners stated, for proposed subcontracting activity in 2023-24, as detailed in appendix 1, to the FE Corporation;
- ii) **approved** the updated Subcontracting Supply Chain Fees and Charges Policy.

Phill Iverson, Jason Faulkner and Erika Marshall left the meeting.

F23/29 8.3 – Draft revenue and capital budgets and financial forecasting (College Financial Forecast Return)

The Chief Financial Officer explained that the draft budget for 2023-24 had been developed through a detailed process whereas the financial forecast for 2024-25, provided to the ESFA, demonstrated the direction of travel. [REDACTED] The budget had been reviewed fully by SMT, with risks outlined in the report and felt to be at a manageable level; income assumptions were outlined including possible T Level funding clawback and uncertainty surrounding both AEB and apprenticeships. There were no concerns with HE income [REDACTED]; the complexities of Advanced Learner Loans' eligibility made it difficult to predict.

The Chief Operating Officer explained the process; each department presented income estimates which were then tested, the Chief Operating Officer and Chief Financial Officer then took a view on the reliability of income assumptions and moderated them accordingly. [REDACTED]

In response to a governor's question, the franchise arrangements with Teesside University were outlined. The group received [REDACTED] of the funding for the HE provision delivered under the Teesside University franchise. As part-time provision was funded at a lower level than full-time, full-time delivery was more cost effective. [REDACTED]

The Chief Financial Officer added that a [REDACTED] pay award and an allowance for increments had been assumed in 2023-24 though currently did not factor in the additional [REDACTED] awarded for the remaining months of the current year; the affordability of the assumed pay award would be reviewed post enrolment. A small number of Economic, Technical and Organisational (ETO) reviews were currently in progress. The Group Director of HR & People Development explained that as part of the BP/PR process staffing levels were reviewed in relation to staff cost to income ratios. Staff cost to income ratios would remain a focus through the PR process over the coming year and the Group Director of HR & People Development added

that managing vacancies was also critical for maintaining delivery to students and was tightly monitored.

A governor asked whether there was a limit to how much could be saved on pay costs whilst maintaining quality and delivery; the Chief Financial Officer explained that curriculum departments reduced costs according to recruitment levels but support departments' pay costs were not directly linked to income. However, investment in efficiencies, including through the Digital Transformation Drive, was expected to reduce costs. The Group Director of HR & People Development added that during ETOs the business case would review any impact on delivery.

[REDACTED]

The Chief Financial Officer [REDACTED] acknowledged that the cashflow could look unusual with large capital grants coming in but the group had developed a good cashflow model. [REDACTED]

A governor offered to outline possible discussions with the group's pension provider about reducing risks with the Chief Financial Officer outside the meeting.

Governors **agreed** to recommend approval of the draft revenue and capital budget for 2023-24 and financial forecasts 2024-25 to the FE Corporation.

Human Resources Issues

F23/30 Agenda Item 9 – Great Place to Work strategic update and Strategy

The Group Director of HR & People Development explained that good progress continued to be made on the Great Place to Work Strategy; this was against the backdrop of a difficult employee relations climate and workforce stability, including retention, remained a key focus. A refresh of the strategy was planned following the launch of the Strategic Plan 2023-26. The report included updates under the strategy's seven key themes; absence management was a key area, with managers provided with development and HR adviser support. The Leadership Programme had now been launched, with 20 applications received to date; the Managing Director of Aspire Development had also presented to the Senior Management Team (SMT). An update on the dispute with the University and College Union (UCU) was included under Voice and Representation.

A governor asked how emerging managers were identified; the Group Director of HR & People Development explained that the appraisal process had been reviewed and would have a stronger focus on talent management and succession planning. Operational plans would then focus more on talent management and SMT and the Group Management Team (GMT) were developing a set of key competencies.

A governor commented that they were pleased about the additional investment in staff Continuing Professional Development (CPD) through the Leadership Programme. The Group Director of HR & People Development acknowledged that training undertaken in addition to the full staff CPD days needed to be captured better through the appraisal process and would then be significantly higher than currently reported. A governor commented on how being a governor and trustee had given him free training and development opportunities and asked whether this

would also be of benefit to Etc. staff. Currently, training, such as industrial updating, did not get recorded and there were future plans to unlock the CPD recording feature in People First Self Service. It was also noted that the group was involved in the College Collective, a group of over 20 colleges encouraging cross collaboration and peer learning.

Governors **noted** the update.

F23/31 Agenda Item 10 – Staff Pay Award

The Group Director of HR & People Development explained that negotiations with UCU and Unison through a Joint Consultative and Negotiation Committee (JCNC) usually started in November each year. The process had been protracted this year with ballots by both unions; Unison had not taken any further action but UCU had formally notified the group of a trade dispute in March 2023. A pay offer of 3% (2% for SMT), an additional well-being day and a consolidated winter fuel payment for the lowest paid staff had already been awarded. [REDACTED]

It was noted that the UCU national ask had been for a 15% pay award but that, at some colleges, a pay award of 3% had been accepted; the mixture of local, regional and national bargaining resulted in a range of results.

[REDACTED]

A member of the Special Committee added that the committee had discussed the trend that inflation would fall and that a smaller pay award could therefore be needed in future though recognising that inflation was beyond the group's control.

A governor asked about consulting with UCU members to help them understand the group's financial position so they would be more likely to accept the offer and less likely to take industrial action. The Group Director of HR & People Development explained that the group was unable to communicate directly with UCU members but an All Staff communication would be possible. The group would receive 7 days' notice of the ballot and 14 days' notice of any industrial action; staff training had been held but it was difficult to assess the impact of industrial action as the group had no information on the departments in which the 67 UCU members were employed.

Governors **agreed** the improved offer of:

- an additional 1% pay award effective from 1 May 2023 (which would not apply to staff earning more than £60k or an appropriate level to be determined)

and **noted** the inclusion of:

- the removal of the bottom point of the Lecturer pay scale H25 (E17 on the new pay scale);
- a commitment to starting the pay talks for 2023-24 earlier in the academic year.

Capital and Facilities Issues

F23/32 Agenda Item 11 – Major capital projects update

The Chief Operating Officer reported that Britcon had been selected as the main contractor for the SRC T Level capital scheme. In addition, an expression of interest for a loan of up to [REDACTED] had been submitted to the DfE Capital Loans scheme, as agreed by the FE

Corporation. Although a full solution for NETA relocation was yet to be determined, the group maintained communication channels with the DfE and negotiations to secure additional funds continued with TVCA and Stockton Borough Council.

Governors **noted** the report and the appointment of Britcon as the main contractor for the SRC T Level project works.

Subsidiary Company update

F23/33 Agenda Item 12 – Tees Valley Catering Update

The Chief Financial Officer reported that Tees Valley Catering's (TVC) financial position continued to be positive; the TVC Board had discussed the merits of the TUPE (Transfer of Undertakings (protection of Employment)) transfer of all members of staff from TVC to Etc. at the board meeting held just prior to this meeting. The TVC Board had approved the transfer and the transfer into Etc. would now be considered for approval at the FE Corporation meeting on 6 July. The transfer was considered to be mutually beneficial but governors were reminded of the confidential nature of the transfer.

Governors **noted** the update.

Policies and Strategies

F23/34 Agenda Item 13 – Financial Regulations

The Chief Financial Officer confirmed that the proposed changes to the Financial Regulations updated the designated staff to reflect recent changes and included reference to Managing Public Money (MPM) following the reclassification of colleges to the public sector. A further review would be brought to the committee for consideration in the autumn term.

Governors **agreed** to recommend approval of the proposed amendments to the Financial Regulations to the FE Corporation.

F23/35 Agenda Item 14 – Tuition Fee Policy

The Chief Operating Officer explained that the Tuition Fee Policy was refreshed annually; amendments had been shown in yellow highlights and, though there were no fundamental changes, a number of definitions had been updated in line with the latest version of ESFA funding guidance.

Governors **agreed** the Tuition Fee Policy for 2023-24.

F23/36 Agenda Item 15 – Human Resources policies

The Group Director of HR & People Development highlighted that proposed changes to each policy had been outlined in the covering report and shown through track changes. The Absence Policy had been ratified at a JCNC meeting and included clarity on phased returns to work; a definition of sexual harassment and further examples had been added to the Harassment, Discrimination and Bullying Policy. The policies had also been reviewed by SMT and would be effective from 1 August 2023.

Governors **approved** the Absence Policy and Procedure, Staff Code of Conduct and Harassment, Discrimination and Bullying Policy.

Closing Items

F23/37 Agenda Item 16 – Any Other Business

The Clerk confirmed that both the staff pay award recommendation and budget were confidential; there were no further items of other business.

F23/38 Agenda Item 17 – 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, with the exception of the Financial Regulations and policies agreed under agenda items 13, 14 and 15. Minutes of this meeting, with the exception of the appendix confidential to independent governors, would be made available for public inspection following committee approval.

F23/39 Agenda Item 18 – Dates, times and venues of future meetings

Governors **agreed** the following meeting dates for 2023-24:

- Thursday 28 September, 5.30 pm
- Thursday 23 November, 5.30 pm
- Thursday 21 March, 5.30 pm
- Thursday 20 June, 5.30 pm

It was also **agreed** that all meetings would be held at Stockton Riverside College, with Teams access as needed.

F23/40 Agenda Item 19 – Meeting Effectiveness and Key Themes

The effectiveness of the meeting was discussed and the following noted:

- Positive contributions and questions from governors new to the committee
- A new governor thanked the Governance Team for help accessing the papers; she added that there was a lot to read but felt the standard of papers was clear and concise
- The meeting flowed well and was well chaired
- Discussed finances but also put them into context and talked about the impact on students and gained insight from the staff governor's comments
- Governors had asked challenging, but non-judgemental, questions and had brought different points of view and perspectives

The following key themes were identified:

- Update from Phill Iverson, Group Procurement Manager, on the complete rewrite of the Group Procurement Strategy; governors offered useful contacts within their own organisations with regard to procurement and social value
- Student transport procurement for Bede – approved selection of Delta Coaches, the current provider, at an annual saving of £18k on the current year
- Noted an improved surplus position from that previously reported and continuing increased focus on departments falling short of target
- Discussion of possible apprenticeship growth in the creative / cultural / gaming sectors and use of governor networks in apprenticeships campaigns and business engagement

- Detailed consideration of the 2023-24 budget, including the balance between quality of education and cost savings; recommendation of proposed subcontracting and revenue and capital budgets, 2023-24, and financial forecasting to 2024-25 to the FE Corporation for approval
- Approval to offer an additional 1% pay award, effective from 1 May 2023, to all staff, excluding those earning above £60k, whilst recognising that, though affordable, this offer may not avoid industrial action
- Agreed the recommendation from the Remuneration Committee to approve the Chief Financial Officer's job description; noted successful completion of the Chief Executive's probation period and move to a permanent contract

Item confidential to independent governors

Liz Dixon, Phil Hastie and Fiona Sharp left the meeting.

F23/41 Agenda Item 20 – Remuneration Committee feedback and recommendation

A paper had been circulated outlining discussions at and recommendations from the Remuneration Committee meeting held on 11 May 2023. The Chief Executive explained that the committee had recommended the Chief Financial Officer's job description for approval by the Finance and Employment Committee, [REDACTED]

Governors **noted** the feedback from the meeting of the Remuneration Committee held on 11 May 2023 and **agreed** to approve the job description for the Chief Financial Officer.

The meeting ended at 7.50 pm

Approved at a meeting held on 28 September 2023