



education
training
collective

Finance and Employment Committee Minutes

Meeting held on Wednesday 20th May 2020 at 2.00 pm, via Zoom

Present: Phil Cook (Chief Executive and Group Principal), Russ McCallion (Chair), and Mark White

Officials: Phil Hastie (Group Executive Director Planning and Infrastructure), Erika Marshall (Group Director of Marketing), Gary Potts (Group Director of Business Engagement), 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: Louise Davies and Phil Heathcock

The Clerk confirmed the meeting was quorate.

F20/8 Agenda Item 1 - Minutes of Previous Meetings

Agenda Item 1.1

The minutes of a Special Finance and Employment Committee meeting held on 13 February 2020 had been circulated and were **approved** as an accurate record.

Agenda Item 1.2 – Matters Arising

All actions due had been completed; progress against actions was noted.

F20/9 Agenda Item 2 – Group Monthly Management Accounts (MMA8)

The Group Executive Director Finance outlined that the management accounts to the end of March reflected the potential impact of COVID-19 on the Group and subsidiary companies which would be covered in detail under Agenda Item 3. In response to a member's question, the Group Executive Director Finance confirmed that there were no concerns in relation to the Education and Skills Funding Agency (ESFA) Key Performance Indicators (KPIs).

Members **noted** the Group Monthly Management Accounts (MMA8).

F20/10 Agenda Item 3 – Group Budget Monitoring Reports

Agenda Item 3.1 – Core Income

The Group Executive Director Planning and Infrastructure highlighted that, in terms of core income, apprenticeship income was forecast lower than budget levels as a result of COVID-19. The Adult Education Budget (AEB) was now forecasted at budget level as

delivery of previously anticipated in-year AEB growth had not been possible due to the impact of COVID-19.

Agenda Item 3.2 – Non-Core Income

The Group Executive Director Planning and Infrastructure outlined the impact of COVID-19 on non-core income, with several budget headings forecasted at below budget, particularly Full Cost income. Adult Learner Loans continued to be an area of focus.

Agenda Item 3.3 – ALS Income

The Group Executive Director Planning and Infrastructure confirmed that the income position for Additional Learning Support (ALS) was as reported; additional support funding to cover IT equipment purchased for vulnerable learners was not yet guaranteed and had therefore not been factored into the year end forecasts.

Agenda Item 3.4 – Capital Grants

The Group Executive Director Finance confirmed that, as capital grants were released to the Income and Expenditure account on a monthly basis in line with the depreciation of capital assets purchased, the full year forecasts remained unchanged.

Agenda Item 3.5 – Project Income

The Group Director of Business Engagement outlined the effect of COVID-19 on forecasted project income to the end of year. In response to a member's question, he confirmed that it was too early to determine whether income from affected projects was permanently lost or was likely to be deferred income. Work was ongoing with providers on how projects could be delivered through flexible delivery models.

Agenda Item 3.6 – Other Income

The Group Executive Director Finance confirmed the impact on commercial income with the closure of the Sports Centre and Tees Valley Catering due to COVID-19; losses would be offset to some extent by the furlough of staff and cost reductions aligned to suspended activity.

Agenda Item 3.7 – Sub-contracting

The Group Director of Business Engagement had outlined subcontracting levels in his previously circulated report. In response to a member's question, he confirmed that subcontract arrangements for TTE 16-18 study programme learners were now well established and effective. The subcontract agreement with TTE only related to current learners who would complete their study programmes by the end of the following academic year.

A member asked if a view had been taken on the vulnerability, or indeed resilience, of subcontractors due to COVID-19 and how this was being monitored. The Group Director of Business Engagement explained that the subcontracting team were in contact with employers at least weekly, ensuring delivery was effectively managed,

and were speaking with employers and apprentices to ensure they were supported through any suspensions in training activity, where applicable. [Redacted] there had been no new starts with Flexi in 2019-20 and none were planned for 2020-21; training for current apprentices was continuing via remote means and, due to increased demand in the food manufacturing sector, no breaks in learning were anticipated.

Members **noted** revised subcontracting levels and **recommended** approval to the FE Corporation.

Agenda Item 3.8 – Pay Costs

The Group Executive Director Finance outlined that pay costs had been reviewed in light of COVID-19; some staff had been furloughed and the corresponding income from the Job Retention Scheme (JRS) was included in Other Income.

A member agreed that the approach to pay costs reflected sound resource and cost management but asked if any consideration had been given to effective pay cost management on a partial return to work situation. The Chief Executive explained that, though hard to predict, income and expenditure would be a key focus particularly looking forward to the next financial year. Strategic perspectives had been established across departments and, through the Business Planning (BP) process, departments would be aligning expenditure to expected scenarios. In addition, the BP method had been altered to resolve situations much more immediately, taking account of diverse income lines, scrutinising staffing structures and seeking savings through efficiencies. He added that some decisions would need to be delayed until September or October when income could be forecasted more accurately.

The Committee Chair commented on the level of scrutiny, perhaps through the external audit process, on organisations' use of staff furlough and JRS claims and he agreed to forward the details of a webinar on JRS that he had recently attended to senior managers. He added that, as Her Majesty's Revenue and Customs (HMRC) were advising that JRS records be retained for five years, there might be a possibility of future clawback. The Group Executive Director Finance added that she had already raised this issue with Claire Leece who had indicated that RSM were not presently expecting to be asked to audit JRS claims on behalf of HMRC; the Group Executive Director Finance expected that the 2019-20 external audit would however review the furlough process undertaken by Etc. The Group Executive Director Planning and Infrastructure added that the Association of Colleges (AoC) had advised that the level of furloughed staff should be proportionate to the percentage of non-guaranteed income, approximately 30% for Etc. The Group Director of HR confirmed that, since the meeting papers had been circulated, the number of staff furloughed had increased slightly and that she and the Group Executive Director Finance regularly considered staff furlough levels; through attendance at regular webinars she ensured that actions were taken based on up to date HR legal advice.

Agenda Item 3.9 – Non-Pay Costs

The Group Executive Director Finance confirmed that all non pay expenditure had been reviewed by budget holders and savings made wherever possible.

Members **noted** the Group Budget Monitoring reports for Agenda Item 3.

F20/11 Agenda Item 4 – Procurement Strategy

The Group Executive Director Finance outlined that the Procurement Strategy had been developed in conjunction with Tenet, who had provided specialist procurement advice, guidance and expertise to the Group for a number of years, and aimed to promote efficient use of resources in support of Etc.'s strategic priorities. The original launch had been planned for March 2020 but had been delayed due to COVID-19; the target dates within the plan had been revised, with implementation planned for 2020-21.

A member asked whether there was a Group procurement team and the Group Executive Director advised that budget holders were responsible for procurement with support from the Finance Team and advice from Tenet. Tenet also reviewed procurement across the Group to identify savings.

A member asked whether there was a tension between 'treating economic operators equally and without discrimination' and the intention to 'support the local supply base' and if there was any possibility of the strategy being seen to discriminate against non-local suppliers. The member also felt that care needed to be taken in defining value for money. The Group Executive Director Finance agreed to consult with Tenet on these issues.

Members **noted** the Procurement Strategy.

F20/12 Agenda Item 5 – Subsidiary Companies – Finance Update

Agenda Item 5.1 – NETA Finance Update

The Group Executive Director Finance confirmed that NETA Board members had considered NETA's financial position at a recent informal meeting and had been pleased by the strong financial position shown pre-COVID-19. Some staff had been furloughed which mitigated against the loss of commercial income and she noted that the operating position, revised as a result of COVID-19, was still showing a year end surplus. The inter-company loan facility remained in place and the balance had been steadily reducing over the course of the year, however, the impact of the current situation could reverse this trend. It was expected that NETA's commercial activity would shortly benefit from the resumption of 'Licence to Operate' courses.

The Committee Chair, also a NETA Board member, agreed that there was a high degree of confidence at NETA; the next NETA Board meeting would be held on 12 June 2020.

Members **noted** the update.

Agenda Item 5.2 – TVC Finance Update

The Group Executive Director Finance confirmed that all catering outlets had been closed since 23 March and the year-end deficit forecasted assumed a worst-case scenario of no further activity for the remainder of this academic year. A number of Tees Valley Catering (TVC) staff had been furloughed but the Group Head of Estates and the Operations Manager were currently working on plans for re-opening; the Chair of the TVC Board was being kept updated.

In response to a member's question, the Group Executive Director Finance confirmed that the impact of a partial return to work on catering facilities would be considered at TVC's BP3. A member also asked about the risk of TVC's intercompany loan exceeding the agreed limit and the Group Executive Director Finance explained that there was a process in place in the financial regulations for the Corporation Chair or, in their absence, the Vice Chair to agree a temporary increase in order to meet, for example, salary costs but that she did not expect the limit set to be exceeded.

The Chief Executive clarified that re-opening would be considered at a high level at the Special FE Corporation meeting to be held the following week; the Group Executive Director Planning and Infrastructure added that, with the resumption of some face to face teaching, catering provision would probably be limited to packed lunches, supplied on a pre-ordered basis.

Members **noted** the update.

F20/13 Agenda Item 6 – Apprenticeships Funding Update

The Group Director of Business Engagement had outlined key changes to the apprenticeship funding rules and arrangements for non-levy employers, the Group's response to the recent subcontracting consultation by the Department for Education (DfE) and the impact of COVID-19 on apprenticeships in his previously circulated report.

A member questioned whether the forecasted number of apprentices into 2021 was possibly optimistic and whether there was any comparable historic data, for example from the downturn of 2008-10, that would assist with forecasting. The Group Director of Business Engagement explained that lines of enquiry around possible best and worst case scenarios had been explored at BP3 and were now being developed on a more granular level. The expectation was that the peak in levy-funded apprenticeships that would normally occur in September would probably be pushed back to November

this year. He confirmed that, although not available as far back as 2008-10, data from the last three years was being analysed. Forecasts reflected a balanced view from many different possible scenarios and sources of information.

A member asked about the business engagement and communication strategies being used with commercial businesses during this period of uncertainty. The Group Director of Business Engagement admitted that apprenticeships were not currently a priority for many employers but that the Business Development (BD) team had been following up on, for example, furloughed apprentices and offering support to them and their employers in relation to starting to return. In terms of future provision, each BD Co-ordinator had been tasked with developing a mobilisation plan to identify target sectors and competition, or gaps, in local provision. The Group Business Development Lead was currently pulling these together into an aggregate plan. The team had also been pro-actively using Smart Assessor to track apprentices' progress electronically and, through the use of Teams to deliver the 20% Off-the-Job element, had demonstrated that apprenticeships could be delivered flexibly, removing barriers to accessing the college. Similarly, in commercial provision, the Group Head of Commercial Development had promoted 'Licence to Operate' courses on social media, approached awarding bodies on flexible delivery of commercial qualifications and switched some distance learning from paper-based to Teams. The Group Director of Business Engagement felt that the department was well positioned to react quickly to future opportunities.

Members **noted** the update.

F20/14 Agenda Item 7 – 2020-21 Budget Development and Planning

The Group Executive Director Finance confirmed that her previously circulated report outlined the position at BP2, with BP3 meetings having recently started. Budget holders had been instructed to review expenditure in the light of greater efficiencies and detailed work was ongoing on financial planning for 2020-21. Higher level financial planning for 2021-22 would then commence. In response to a member's question regarding taking account of proposed future changes to JRS in financial plans, the Group Executive Director Finance confirmed that, although aware that there would be changes, these had not been finalised so were not, as yet, factored in.

Members **noted** the update.

F20/15 Agenda Item 8 – Great Place to Work Strategy and Update, including Staff Survey Agenda Item 8.1 – Great Place to Work Strategic Objective, including HR Update

The Group Director of HR outlined that her previously circulated report covered progress against the Great Place to Work (GPTW) strategy, rather than the standard employment monitoring report, to take account of the HR team's focus during COVID-19. A staffing update had also been considered at the FE Corporation meeting earlier

in the month. She gave a verbal update on the short staff survey that had recently taken place with the aim of gaining an understanding of the implications of changing ways of working and, in particular, the impact of working from home. The response rate (approximately 60% of staff) to this voluntary survey had been positive and had shown that teams were working well remotely and staff felt supported. The results did, however, reflect the challenge for some staff of juggling working from home with other caring responsibilities. Going forward, feedback from the survey would be considered in relation to a review of flexible working practices and homeworking guidance.

In response to a member's question, the Group Director of HR confirmed that some groups of staff did not have ready access to email but communication was maintained through, for example, sending hard copies of relevant emails. A member asked if there were any cyber security concerns with the increase in working from home and the Group Executive Director Planning and Infrastructure explained that access to any sensitive data was through secure connectivity that was subject to regular penetration testing; staff were using cloud-based access for the majority of their work. Staff in those business areas that used server-based systems, for which there was limited remote access capacity, were working in college buildings as required.

In response to a member's question regarding face to face inductions at Redcar & Cleveland College, the Group Director of HR explained that, since writing her report, all staff inductions now took place online.

Agenda Item 8.2 – Staff Survey

The Group Director of HR highlighted that the staff survey had been carried out in December 2019 and the full summary of results and four-year comparisons had been included in the appendices.

A member commented on the lower satisfaction level with regards to catering and asked if this related to one outlet or was more widespread and what actions had been taken to address this. The Group Director of HR confirmed that this predominantly related to catering facilities, and in particular long queues, at Stockton Riverside College (SRC) outlets; 'grab and go' items had already been introduced pre-TVC closure and, though currently delayed, opening of the new coffee shop was planned to ease flow.

Members **noted** the update and Staff Survey results.

F20/16 Agenda Item 9 – Human Resources Policies

The Group Director of HR confirmed that, as part of a full review of HR policies and procedures, members were asked to approve the Family Friendly Policy and Procedure and the Staff Code of Conduct. She noted that the Senior Management Team (SMT)

would be reviewing the homeworking guidance and agreed to share this with the Committee Chair once finalised.

Members **approved** the Family Friendly Policy and Procedure and the Staff Code of Conduct.

F20/17 Agenda Item 10 – Capital Investment Strategy and Capital Programme Update

The Group Executive Director Finance confirmed that the previously circulated Group Capital Investment strategy had been approved by SMT in October 2019; in response to COVID-19, a review of capital expenditure had taken place and projects categorised as ‘to continue’, ‘to be put on hold in the short term pending review’ or ‘to be put on hold for consideration in 2020-21’.

Members **noted** the update.

F20/18 Agenda Item 11 – Infrastructure Issues

The Group Executive Director Planning and Infrastructure confirmed that group sites had remained operational throughout the lockdown period at reduced levels which had given the Estates team an opportunity to progress, where possible, essential maintenance. In addition, work was now ongoing to prepare sites for partial resumption of services in June/July and a fuller resumption in August/September. Guidelines for staff would be issued shortly and would form the basis of his report for the Special FE Corporation meeting to be held the following week. The Group Director of HR had been in communication with unions.

A member asked whether there had been any consideration of summer opening and the Group Executive Director Planning and Infrastructure confirmed that this was not being considered at the moment and the focus was on current learners who needed to complete qualifications and transition for new learners. The Chief Executive added that the Marketing team were supporting curriculum departments in ensuring young people received sufficient information and guidance.

Members **noted** the update.

F20/19 Agenda Item 12 – Any Other Business

There were no items of other business.

F20/20 Agenda Item 13 – Date and Time of Next Meeting

Thursday 18 June 2020, 5.30 pm, via Zoom. The Clerk agreed to contact absent committee members regarding the possibility of an earlier start time due to the Committee Chair’s internet accessibility issues outside office hours.

F20/21 Agenda Item 14 - Approval of Documents for Inspection

It was **agreed** that the agenda for the current meeting be made available for public inspection; supporting papers for agenda items 2, 3, 5, 6, 7, 8.2 and 10 were deemed commercial in confidence. Minutes of this meeting would be made available for public inspection following committee approval.

F20/22 Agenda Item 15 – Key Themes

The following items were identified as key themes:

- Consideration of Monthly Management Accounts for period 8, including the impact of COVID-19
- Subcontracting levels considered and revisions recommended to Corporation
- Update on Procurement Strategy and implementation plan
- Apprenticeships funding update
- Approval of Family Friendly Policy and Procedure and Staff Code of Conduct

The meeting ended at 3.35 pm.

Approved at a remote meeting

Date: 18th June 2020