

Finance and Employment Committee Minutes

Meeting held on Thursday 18 June 2020 at 3.30 pm, via Zoom

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

Officials: Jason Faulkner (College Principal RCC), Phil Hastie (Group Executive Director Planning and Infrastructure), 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: Phil Heathcock

F20/23 Agenda Item 1 - Minutes of Previous Meetings

Agenda Item 1.1

The minutes of a Finance and Employment Committee meeting held on 20 May 2020 had been circulated and were **approved** as an accurate record.

Agenda Item 1.2 – Matters Arising

The Clerk outlined the revised wording in the Procurement Strategy as suggested by Tenet and confirmed that the Key Performance Indicators (KPIs) requested were included in the circulated report for Agenda Item 2. Members agreed that all actions due had now been completed, with one not yet due. Actions from the Joint meeting of the Audit and Finance and Employment Committees were ongoing. Progress against actions was **noted**.

F20/24 Agenda Item 2 – Centre for Energy, Engineering and Advanced Manufacturing (CEEAM)

The College Principal Redcar and Cleveland College (RCC) confirmed that some progress had been made on the project but there had been delays due to COVID-19. In response to a member's question, he added that it was intended that internal works would be complete by the end of July and equipment purchased in readiness for the start of the academic year. Promotion work on engineering across social media platforms had continued, with recruitment to both 16-18 and Higher Education (HE) Engineering programmes at RCC slightly higher than at this time the previous year. Alongside CEEAM, the Group was also involved in a proposed Tees Valley project (Tees Valley Industry Skills Institute).

In response to a member's question, the College Principal RCC outlined the broad vision for and possible specialisms included in the proposed Tees Valley initiative, which involved FE colleges in the Teesside University College Partnership (TUCP).

Members **noted** the update.

F20/25 Agenda Item 3 – Group Monthly Management Accounts (MMA9)

The Group Executive Director Finance presented the previously circulated monthly management accounts for Period 9, to 30 April 2020. With Performance Review 9 (PR9) concluded, each line of income and expenditure had been tested and the forecasted deficit was lower than anticipated in March. She confirmed that cash balances remained positive and bank covenants were expected to be met. The Chair noted the positive financial position of the Group despite the challenges presented by COVID-19.

Members **noted** the Group Monthly Management Accounts (MMA9).

The following budget reports, finance updates and forecasts reported in particular on adjustments as a result of the impact of COVID-19.

F20/26 Agenda Item 4 – Group Budget Monitoring Reports

Agenda Item 4.1 – Core Income

The Group Executive Director Planning and Infrastructure confirmed that, as anticipated, apprenticeship income was forecast at significantly lower levels than previously reported. Funding for 16 – 18 and Adult Education Budget (AEB) had been guaranteed in year, the latter provisionally.

In response to a member's question, he confirmed that support for TTE 16-18 learners, funded in year, had brought in additional income of just over £800k in 2019-20 and learners progressing into 2020-21 would contribute approximately £400k. A member asked whether guidance had been received following government announcements offering increased support for apprentice training; the Group Executive Director Planning and Infrastructure confirmed that no specifics had been published though support for apprenticeships during this time continued to be highlighted by the Association of Colleges (AoC). The Group Director of Business Engagement added that the Tees Valley Combined Authority (TVCA) had confirmed a £1m subsidy to support approximately 100 apprenticeships but that further financial incentives would be required for employers to take on apprentices at the levels needed.

Agenda Item 4.2 – Non-Core Income

The Group Executive Director Planning and Infrastructure outlined that income in relation to non-core funding streams was generally forecasted at below budget.

Agenda Item 4.3 – ALS Income

The Group Executive Director Planning and Infrastructure confirmed that Additional Learning Support (ALS) income was broadly as forecast; some additional bursary funding to support IT access for vulnerable learners and enable greater participation in remote delivery of learning had now been received.

Agenda Item 4.4 – Capital Grants

The Group Executive Director Finance confirmed that, as reported at the last meeting, the full year forecasts remained unchanged.

Agenda Item 4.5 – Project Income

The Group Director of Business Engagement outlined forecasted project income against budget. A member asked if there were opportunities to increase the Group's share of project income available in the Tees Valley. The Group Director of Business Engagement explained ascertaining total project income available in the Tees Valley would be a very difficult and challenging task, with multiple funding streams and an ever-changing landscape and outlined the process of submitting tenders to primes to become project delivery partners; he added that project primes received income direct from the European Social Fund (ESF) and that the prime's role was complicated and carried high risks. He was confident that the Group was responsive to any project opportunities that arose, often meeting short turnarounds in a fluid environment.

Agenda Item 4.6 – Other Income

The Group Executive Director Finance confirmed that the key headlines were included in her report. For 2019-20, Other Income also included an estimate of income from the Job Retention Scheme (JRS). A member asked for a comparison of the level of staff furlough at Etc. against other colleges and the Group Executive Director Finance confirmed that, when discussed at the AoC's North East Finance Directors' Network, Etc. seemed to be in line with other colleges in the area. The Group Executive Director Planning and Infrastructure added that the AoC had undertaken a recent survey on furlough levels in colleges and, at that time, Etc. was lying in the 50th – 75th percentile.

Agenda Item 4.7 – Subcontracting

The Group Director of Business Engagement had provided information on subcontracting income and expenditure at Period 10, including any changes since the last meeting. In response to a member's question, he confirmed that the issue with The Skills Network (TSN) had now been resolved and payment for the non-devolved delivery had been received. A member asked if there were concerns about the viability of any subcontract partners and, if so, whether contingency plans were in place. The Group Director of Business Engagement confirmed that the Group was reasonably confident but that specific contingency plans were in development for each individual subcontractor to ensure apprentices could be supported to the end of their programmes.

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

Agenda Item 4.8 – Pay Costs

The Group Executive Director Finance confirmed that pay costs had been fully reviewed at PR9 and reflected in her report. In response to a member's question, she confirmed that, in terms of restructuring costs, the forecast full year level remained as per the budget but it was not yet known if the full allocation would be needed. The Group Director of HR stated that a small number of Economic, Technical and Organisational (ETO) reviews were in progress; engagement with unions would take place as normal and there were no causes for strategic concern.

Agenda Item 4.9 – Non-Pay Costs

The Group Executive Director Finance confirmed that all non-pay costs had been reviewed at PR9 and were in line with her report.

Members **noted** the Group Budget Monitoring reports for Agenda Item 4.

F20/27 Agenda Item 5 – Subsidiary Companies – Finance Update

Agenda Item 5.1 – NETA Finance Update

The Group Executive Director Finance confirmed that the NETA management team had dealt well with the impacts of COVID-19 and that financial performance over the year had remained strong. As a NETA Director, the Chair agreed that performance over the year had been impressive and that NETA had thrived through difficult circumstances.

Members **noted** the update.

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

The Group Executive Director Finance outlined that, when all catering outlets closed from 23 March 2020, it was anticipated that TVC would have a large deficit at year end. Income from the JRS and the hard work of the Group Head of Estates and TVC Operations Manager had resulted in a forecasted year end break even position. The recently appointed Chef Manager for SRC was already in college two days per week on a voluntary basis, with an official start date of 1st August. Whilst TVC's financial position was positive, some unknowns remained going into 2020-21.

The Corporation Chair asked the Clerk to pass on his official thanks to the Group Head of Estates. Having recently attended his first TVC Board meeting as an observer he had been impressed with the current positive position of TVC.

Members **noted** the update.

F20/28 Agenda Item 6 – Draft Budgets 2020-21 and financial forecasts

Agenda Item 6.1 – Funding Allocations

The Group Executive Director Planning and Infrastructure had set out in his report the allocations for 2020-21 from the Group's main sources of public funding with a comparison against the 2019-20 allocations. However, he noted that much of this information was included in the Integrated Financial Model for Colleges (IFMC) and, as the report provided a snapshot in time with allocations subject to change, he was unsure of its usefulness to governors. A member commented that, due to the lagged funding model, COVID-19 would perhaps have a greater impact on 2021-22 income.

Members **noted** the update and **agreed** to remove this report from future Cycles of Business.

Agenda Item 6.2 – Subcontracting Proposals

The Group Director of Business Engagement outlined subcontracting proposals. He explained that contract values and payments to subcontractors were, in the main, based on contracts with existing, high quality external partners. The maximum values would only be required if the Group received additional AEB funding from the TVCA. In response to a member's question, the Group Director of Business Engagement gave some background on OrangeBox and explained that, with strong links to Tesco and Amazon distribution centres, the subcontracting relationship complemented the work of the Tees Valley Logistics Academy and resulted in excellent job outcomes.

Members **agreed** to recommend approval of subcontracting proposals to the FE Corporation.

Agenda Item 6.3 – Draft Revenue and Capital budgets and financial forecasts

The Group Executive Director Finance confirmed that the BP process for 2020-21 had concluded and formed the basis for budget setting. Performance budgets from each department had been moderated to allow for uncertainties regarding the ongoing impact of COVID-19. Assumptions had been listed in her previously circulated report and she noted that, although there may be some, income for furloughed staff had not been built in. A potential pay increase of 1% had been built into the forecasts; she would be working with the Group Director of HR on pay award proposals and the impact of National Living Wage increases on pay scales which would be reported in the autumn term. She explained that, in line with views across the sector, the assumption had been made that the ESFA grant to cover the increase in Teachers' Pension Scheme employer contributions would continue for the whole of the 2020-21 financial year although only guaranteed to March 2021 at this stage. She added that a financial plan specifically related to the impact of COVID-19 would be submitted to the ESFA at the end of July; this would be signed off by the Accounting Officer as it did not require the approval of the FE Corporation. The plan and commentary could however be shared with Board members.

A member asked about the extent of increases in non-staff operational costs and the Group Executive Director Finance confirmed that the Group Head of Estates was assessing the additional costs associated with cleaning supplies and Personal Protective Equipment (PPE). In terms of AEB, the Group Executive Director Planning and Infrastructure commented that the TVCA had given an indicative allocation; as part of the uplift allocation process the Group intended to submit a significant growth bid for centre-based work academies.

In response to a member's question about the ESFA financial health grade, the Group Executive Director Finance indicated that this was forecast to be 'Good' in two to three years' time. A member asked if there were any concerns about the future costs of employer Teachers' Pension Scheme contributions and the Group Executive Director Finance clarified that, for the 2021-22 forecast, it had been assumed that the increase in costs would not be funded by the ESFA; the AoC was, however, lobbying for grants to continue. Another member added that the stock market position could have an added adverse effect on pension schemes, with the possibility of increased contributions for both employers and employees.

Members acknowledged the hard work put in by budget holders to develop future forecasts, which formed a robust framework against which governors could monitor variances. The Group Executive Director Finance agreed to draft a letter with the Corporation Chair and the Chair of the Finance and Employment Committee expressing the Board's thanks.

Members **noted** the ESFA Financial Health grade based on 2018-19 final accounts (Requires Improvement) and **agreed** to recommend the Revenue and Capital budgets for 2020-21 and financial forecasts for 2021-22 to the FE Corporation for approval.

F20/29 Agenda Item 7 – Policies 2020-21

Agenda Item 7.1 – Tuition Fee Policy

The Group Executive Director Planning and Infrastructure confirmed that publication of the national funding guidance had been delayed though no fundamental changes were anticipated, other than the inclusion of a digital entitlement. Members agreed that, irrespective of the availability of national guidance, the Tuition Fee Policy for 2020-21 would be included in the papers for the FE Corporation meeting to be held on 2 July 2020; any subsequent changes to national guidance would be reflected in changes to the policy and presented to governors for approval as available.

Members **agreed** to recommend the Tuition Fee Policy 2020-21 (subject to finalisation once national guidance was published) for approval by the FE Corporation.

Agenda Item 7.2 – Subcontracting Fees and Charges Policy

The Group Director of Business Engagement highlighted that the Subcontracting, Supply-chain Fees and Charges Policy remained largely unchanged from the current year; in terms of quality assurance, references to developmental deep dives had been added.

Members **agreed** to recommend the Subcontracting Fees and Charges Policy to the FE Corporation for approval.

F20/30 Agenda Item 8 – Great Place to Work Update

The Group Director of HR presented an update on the Great Place to Work Strategy and highlighted the example data sample sheet introduced to deepen understanding of performance levels against targets during the PR/BP process. She noted that, in terms of the impact of COVID-19, HR monitoring had focussed on staff attendance and resilience and she was pleased to report that the small number of staff with confirmed COVID-19 had all recovered and that staff sickness and those reporting COVID-19 symptoms had been reducing since March. Since her report had been circulated, the number of staff self-isolating due to being at high risk had further reduced due to changes in government guidance. The optional short staff survey circulated in May had received a 62% response rate.

In response to a member's question about the possible safeguarding concerns raised by staff use of personal mobiles, the Group Director of HR agreed that at the start of working from home not all staff had had work mobile phones but that this had been quickly resolved by the Group Head of IT. The Group Executive Director Planning and Infrastructure added that some staff had now installed Etc. internet-enabled phones at home which used their work extension number.

Members **noted** the update.

F20/31 Agenda Item 9 – Working from Home Guidelines

The Group Director of HR reported that, whilst a statement on working from home had previously been included in the Family Friendly Policy and Procedure, budget holders had identified that there could be an increase in employee requests for homeworking, on both an ad-hoc or more permanent basis, after the current transition phase back to some site based operations. The Homeworking Guidance and Procedure would assist staff in making homeworking requests and line managers in considering them; decisions would be devolved to departmental level. As a Director of HR himself, the Chair added that this guidance should be kept under review to reflect any changing circumstances. The Group Director of HR agreed to include data on staff working from home in Great Place to Work updates.

Members **agreed** to recommend that the FE Corporation note the Homeworking Guidance and Procedure and **noted** that there were no proposed changes to the Family Friendly Policy and Procedure.

F20/32 Agenda Item 10 – Infrastructure Issues

The Group Executive Director Planning and Infrastructure gave an update on infrastructure matters and reported that, during the initial stages of re-opening, a relatively small number of learners had attended Group sites, with provision of services focused on key groups. The feedback from staff and college principals had been positive. The Corporation Chair added that he had already visited SRC and would be visiting all Group sites over the coming weeks.

Members **noted** the update.

F20/33 Agenda Item 11 – IT Strategy

The Group Executive Director Planning and Infrastructure highlighted that, due to the fundamental organisational changes brought about by COVID-19, the proposed IT Strategy 2020-22 presented a step change from the previous policy (2018-21). In March, the rapid move to SharePoint and Teams had enabled an effective shift to working from home and providing remote delivery in learning, particularly support to vulnerable learners. Robust plans, including full costings, had been put in place for 2020-21 to embed and improve IT infrastructure and business systems.

A member asked if a specific contingency for IT investment should be included in the 2020-21 budget and the Group Executive Director Planning and Infrastructure confirmed that an allocation was already included but that the final allocation would require a detailed analysis of learners' IT needs and levels of digital poverty. Information on this would be collected during the student application and enrolment period. It was hoped that there would be further government funding for IT. Members noted that the Group Executive Director Planning and Infrastructure had successfully appealed against the original decision on the Group's bid for bursary funding.

Members **agreed** to recommend approval of the IT Strategy 2020-22 to the FE Corporation.

F20/34 Agenda Item 12 – Any Other Business

Members discussed staff and learner experiences of the recent partial re-opening; senior managers agreed that sites had been well prepared and that staff had reported the experience to be positive for both themselves and learners. Many staff continued to work from home though some had been working on site on a rota basis since March; it was noted that staff had had different experiences of working from home and those who had experienced isolation were particularly keen to return to work on site. The Chief Executive added that all staff, including senior managers, had experienced

challenging days and situations but had adapted rapidly and effectively. Members were shown a video collated by the Marketing Team of staff arriving back to Group sites for the first time; this would be available on the Staff Gateway to reassure returning staff.

F20/35 Agenda Item 13 - 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, 4, 5, 6, 8, 10 and 11 were deemed commercial in confidence; policies were approved for inspection. Minutes of this meeting would be made available for public inspection following committee approval.

F20/36 Agenda Item 14 – Dates and Times of Future Meetings

Thursday 15 October 2020, 5.30 pm

Thursday 26 November 2020, 5.15 pm (joint meeting with Audit Committee), 6.15 pm
Finance and Employment Committee

Thursday 18 March 2021, 5.30 pm

Thursday 17 June 2021, 5.30 pm

F20/37 Agenda Item 15 – Key Themes

The following items were identified as key themes:

- Consideration of Monthly Management Accounts for period 9
- Recommended approval of the following to Corporation:
 - Subcontracting levels for 2019-20
 - Subcontracting, Supply-chain Fees and Charges Policy for 2020-21
 - Tuition Fee Policy (subject to finalisation once national guidance published)
 - Revenue and Capital budgets for 2020-21 and financial forecasts for 2021-22
 - IT Strategy
- Noted ESFA Financial Health grade for 2018-19 (Requires Improvement)
- Consideration of Working from Home guidelines

The meeting ended at 5.05 pm.

Approved at a remote meeting

Date: 20th October 2020