

Finance and Employment Committee Minutes

Meeting held on Thursday 20th October 2020 at 5.30 pm, via Zoom

- Present:** Phil Cook (Chief Executive and Group Principal), Louise Davies, Phil Heathcock and Mark White
- In attendance:** Martin Gray
- 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:** Russ McCallion

Louise Davies welcomed members and officials to the meeting and explained that, in Russ McCallion's absence, she had agreed to chair the meeting. The Chief Executive confirmed that there were no strategic updates.

Mark White declared an interest in Agenda Item 12 as independent Chair of the Thornaby Town Deal Board.

F20/38 Agenda Item 1 – Appointment of Chair and Vice-Chair

Members **agreed** to reappoint Russ McCallion as Chair and Louise Davies as Vice-Chair of the Finance and Employment Committee for 2020-21.

F20/39 Agenda Item 2 - Minutes of Previous Meeting

Agenda Item 2.1

The minutes of a Finance and Employment Committee meeting held on 18 June 2020 had been circulated and were **approved** as an accurate record.

Agenda Item 2.2 – Matters Arising

The Group Executive Director Finance confirmed that letters from the Corporation Chair and Chair of the Finance and Employment Committee had been sent to budget holders. Actions from the Joint meeting of the Audit and Finance and Employment Committees were ongoing. Progress against actions was **noted**.

F20/40 Agenda Item 3 – Group Monthly Management Accounts (incorporating Etc., NETA and TVC)

The Group Executive Director Finance presented the previously circulated monthly management accounts for period 12, to the end of July 2020. These included the majority of year end adjustments (Period 13). She confirmed that they presented a positive year end position; budgets had been well managed through COVID-19 and subsidiaries had controlled

costs effectively and taken advantage of the Job Retention Scheme (JRS). Two matters not reflected in the MMA12, the release of any Restructuring Facility (RF) grant and the FRS102 pension adjustment, would be actioned as part of the year end process. The financial plan and cash flow forecast submitted to the Education and Skills Funding Agency (ESFA) in July had been circulated with the meeting papers and a new cash flow template would be submitted to the ESFA by the end of November. The ESFA were releasing a new version of the Finance Record on 30 November which would be completed to reflect the final accounts for submission by 31 January 2021. Completion would establish [redacted] the Group's financial health grade [redacted]. It was possible that the RF conditions put in place at the time of merger with Redcar & Cleveland College would require variations due to the impact of COVID-19 and discussions were in progress with the ESFA; this would also be reported to the FE Corporation as discussions progressed.

In response to a member's question about the increase in pensions liability, the Group Executive Director Finance explained that the previous assumptions had been based on the 2016 valuation, now 2019 valuation, and that the updated actuarial assumptions, including the negative impact of COVID-19 on investment returns, had increased the level of liability. She added that all Teesside colleges faced similar increases. Members of the Finance and Employment and Audit Committees had been notified of these changes over the summer; a member of the Audit Committee had flagged one possible challenge regarding pay increase assumptions but, as these were considered over a 30-year period, had not felt a challenge to be appropriate and this was accepted by governors. She added that RSM had confirmed that many other colleges would show negative reserves on their balance sheets as a result of these changes and that other FE finance directors had reported large pensions liability increases.

A member asked if the FE sector was aware of any extension to the Teachers' Pension Scheme grant beyond April 2021, as had been recently communicated to schools. The Group Executive Director Finance confirmed that the budget assumed that the full grant would be receivable but that the second instalment was not guaranteed past March; there had been no updates at this stage from the ESFA or Association of Colleges (AoC). The Group Executive Director Planning and Infrastructure recalled that, when the last extension had been announced, schools had been informed before colleges.

Members **noted** the Group Monthly Management Accounts (MMA12).

F20/41 Agenda Item 4 – Group Budget Monitoring Reports

Agenda Item 4.1 – Core Income

The Group Executive Director Planning and Infrastructure confirmed that income in relation to core funding streams at Period 13 remained as presented in his report. Members **noted** Core Income at period 13.

Agenda Item 4.2 – Non-Core Income

Members **noted** Non-Core Income at Period 13.

A member asked how much 14-19 income was forecastable and how much was considered less predictable. The Group Executive Director Planning and Infrastructure confirmed that the income reported to Period 13 was all guaranteed; moving into 2020-21, there could be potential for some in-year growth in ESFA funding though eligibility but this had not yet been confirmed. Apprenticeships were perhaps the least predictable income stream but this had been factored into planning and recruitment was currently on target. The Group Executive Director Finance added that just over 80% of core income was government funded, including higher education franchising and advanced learner loans income, with just under 70% of income more or less predictable. Members agreed that it could be useful to incorporate this proportionality into future reports.

Agenda Item 4.3 – ALS Income

Members **noted** Additional Learner Support Income at Period 13.

Agenda Item 4.4 – Capital Grants

Members **noted** Capital Grants Income at Period 13.

Agenda Item 4.5 – Project Income

Members **noted** Project Income at Period 13.

Agenda Item 4.6 – Other Income

The Group Executive Director Finance referred members to the positive financial position of TVC as reported at agenda item 3.1. Members **noted** Other Income at Period 13.

Agenda Item 4.7 – Subcontracting

The Group Vice Principal Business, Innovation and Partnerships highlighted that two subcontractors, Generation Training and Tyne & Wear Large Goods Vehicle Training, would no longer be subcontracting with Etc. due to COVID-19. Contingency plans had been implemented and remaining continuing apprentices had been transferred to NETA or were in the process of being transferred to an internal Stockton Riverside College (SRC) department for completion. The Chair noted the successful implementation of contingency plans to support these apprentices. The Group Vice Principal Business, Innovation and Partnerships added that all subcontracting apprentices had been supported to continue to the end of their programmes but that some had not yet re-engaged following furlough or breaks-in-learning.

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

Agenda Item 4.8 – Pay Costs

Members **noted** Pay Costs as at Period 13.

Agenda Item 4.9 – Non-Pay Costs

Members **noted** Non-Pay Costs at Period 13.

The Chief Executive highlighted the strength of the work undertaken by the Group Executive Finance and Group Executive Director Planning and Infrastructure in leading senior managers and budget holders through Performance Review (PR) in April, at which time every income and expenditure line was re-forecasted to take account of COVID-19. Levels of variance to these forecasts were currently being tested in PR12 and had so far been relatively minor.

F20/42 Agenda Item 5 –Finance Reports

Agenda Item 5.1 – NETA Finance Update

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

The Group Executive Director Finance commented on the positive financial position of both subsidiary companies at year end. The strong management team at NETA had worked hard to effectively resume activity on reopening in June. Staff morale at TVC had improved over the last 12 to 18 months, the Operations Manager appointment had been beneficial and effective use of the JRS had mitigated the financial impact of COVID-19.

Members **noted** the update.

F20/43 Agenda Item 6 – Student Recruitment

The Group Director of Marketing reported that, though there continued to be a degree of movement, overall current recruitment for 2020-21 exceeded targets. The Business Development Unit (BDU) and Prince's Trust would continue to recruit throughout the year. She was currently working with departments on W1s, learners who leave the Group within 42 days following enrolment, and had asked the information team to provide year on year comparisons; the percentage of withdrawals at the RO4 data return was slightly lower this year than in 2019. Higher education (HE) recruitment was above target for full-time enrolments and, although overall recruitment was below the BP3 target, more courses were due to start in January 2021. The externally-advertised post of Group Student Recruitment Manager had been filled by an internal candidate, Conor McKerlie.

In response to a member's question, the Group Vice Principal Business, Innovation and Partnerships confirmed that the apprenticeships recruitment target for Q1 had been re-forecasted at 40% below 2019 to account for the impact of COVID-19 but recruitment had been higher than this target. He added that, because of uncertainties including further lockdowns, it was impossible to guarantee apprenticeship recruitment levels over the remainder of the year. Members discussed the possible reasons for the increased recruitment at Bede; the Chief Executive confirmed that, during their PR, Bede staff had been sceptical that the increase was purely a result of grade inflation due to Centre-assessed grades (CAGs). He added that the College Principal Bede and the Group Head of Marketing would be assessing the impact of the later start time introduced from September and hoped to gain a more detailed understanding during Learner Forums; this would feed into the marketing intent for Bede. Application levels in January could indicate whether there would be sustained growth in numbers, thus informing Bede's property strategy. A member asked about the impact of potentially inflated grades and any loss of learning during year 11. The Chief Executive

confirmed that Bede managers were taking a pragmatic approach and had plans in place to account for the impact of the different levels of engagement by schools in online learning during lockdown.

Members **noted** the update.

F20/44 Agenda Item 7 – Treasury Management Report

The Group Executive Director Finance confirmed that her previously circulated report updated members on the treatment of cash balances and levels of intercompany loans in 2019-20; the investment strategy had been in line with the Treasury Management Policy.

Members **noted** the report.

Agenda Item 8 – Subcontracting

F20/45 8.1 – ESFA Subcontracting Consultation Response

The Group Vice Principal Business, Innovation and Partnerships explained that the ESFA had undertaken a subcontracting consultation in response to a small number of instances of bad practice in the sector; his paper had outlined the ESFA's response to the consultation which included ten proposals. He confirmed that, although the Group already followed best practice, some additional actions would be taken, for example, reporting quality monitoring of subcontractors specifically through the Standards Improvement Committee. An action plan had been put in place and members had received detailed information on the plan in response to proposal 3 to reduce the overall volume of subcontracting over the next three years. He added that, in addition to gaining assurance that the Group had comprehensive plans in place, members would receive updates including details of the ESFA's subcontracting standard once published.

In response to members' comments on the high levels of assurance provided, the Group Vice Principal Business, Innovation and Partnerships commented on the strength of the subcontracting team and its proactive approach.

Members **noted** the update and **agreed** that the strategic direction for subcontracted provision was in line with the strategic rationale of the Group.

F20/46 8.2 – Subcontracting, Supply-chain Fees and Charges Policy

The Group Vice Principal Business, Innovation and Partnerships confirmed that changes to the Subcontracting, Supply-chain Fees and Charges Policy had been made in line with the ESFA subcontracting consultation and had been highlighted in the policy document circulated. Members **agreed** to recommend approval of the Subcontracting, Supply-chain Fees and Charges Policy to the FE Corporation.

F20/47 Agenda Item 9 – Learner Support Fund Policy

The Group Executive Director Planning and Infrastructure explained that the Learner Support Fund Policy set out how the Group utilises and distributes ESFA and Tees Valley Combined Authority (TVCA) funding to support learners in overcoming financial barriers to participation. The major change to the policy was the addition of support for learners with their IT needs,

through the long term loan of or support to purchase IT devices and help with meeting the costs of internet data.

Members **noted** the Learner Support Fund Policy.

F20/48 Agenda Item 10 – Great Place to Work Update

The Group Director of HR highlighted that staff resilience had been strong in response to the pressures of COVID-19 though since her report had been circulated levels of staff absence had increased and were being closely monitored by HR in liaison with line managers, particularly in order to maintain service levels. In terms of labour turnover rates, a review was planned to account for Hourly Paid staff who effectively returned on an annual basis. Although Working from Home guidelines had been agreed, staff continued to work from home as needed, with their line manager's agreement, and the formal application process had not yet been implemented. In coming months, members of the Senior Management Team (SMT) would be attending mental health first aid training. Staff had welcomed the improvements made to workspaces at NETA and Redcar & Cleveland College (RCC).

The Group Director of HR agreed to inform the NETA MD of the Corporation Chair's request to attend the mental health first aid training.

In response to a member's question, the Group Director of HR felt that the HR team had been working hard and had coped well with the new processes that had been put in place but that many would welcome the break offered by half term. The Group Executive Director Planning and Infrastructure explained that, whilst remaining open, access to Group venues would be restricted to essential staff during half term week, both to ensure staff would take a break and to provide nine days with less circulation and contact.

Phil Heathcock left the meeting.

The Chief Executive added that the Group was implementing two further Wellbeing days to be taken by February in recognition of the work put in by staff. A member asked whether staff working from home undertook risk assessments, including data security and privacy. The Group Director of HR confirmed that these were required under the formal Working from Home guidance but that the current approach was more hybrid and was covered under standard Etc. risk assessments and procedures for IT security. She added that the mandatory Safeguarding training now included learners' online safety.

Members **noted** the update.

F20/49 Agenda Item 11 – Learning and Development Strategy

The Group Director of HR explained that the Learning and Development Strategy was underpinned by the existing staff development policy and procedure and outlined the Group's strategic approach to personal and professional development within the context of being a Learning Organisation. The Chief Executive highlighted that one of the strategic principles would be to develop all employees and to 'focus energy on those identified as high performing or high potential' and that this marked a profound shift for the organisation from the tendency to concentrate on underperforming staff. A member commented that it was encouraging that

the Group continued to invest in a training budget and to spend time and money on staff development.

Members **approved** the Learning and Development Strategy.

F20/50 Agenda Item 12 – Infrastructure Update

The Group Executive Director Planning and Infrastructure highlighted that his report covered two infrastructure related matters, COVID-19 secure operations and capital plans, including potential sources of further capital funding. The measures in relation to COVID-19 had been included as a reminder of the Group's response to guidance. Capital plans for the coming year included the artificial grass pitch at RCC, the Group capital programme and projects identified under the conditions set for the Further Education Capital Allocation (FECA) funding. The NETA Board were currently exploring high level options and the Property Strategy approved during the merger process with RCC would then be refreshed; a Property Strategy for Bede would consider future estates requirements in light of this year's strong recruitment. Other additional sources of income were being explored through possible Town Deal projects in both Redcar, with energy as the focus, and for Thornaby in higher skills, construction and digital. A bidding round for T Level capital was expected in February 2021 but, as match funding would normally be required, the Group would need to manage these capital projects carefully.

Members **noted** the update.

F20/51 Agenda Item 13 – Insurances

The Group Executive Director Finance had provided details of the Group's insurance portfolio and insurance cover in place for 2020-21. The independent insurance specialist used in previous years was no longer available to offer a brokerage service but, by moving all cover direct to Zurich, an overall saving on the insurance premiums had been made. A new tender exercise would shortly commence to ensure continuation of cover for 2021-22 and would be supported by Tenet, the Group's procurement specialists. She highlighted that enhanced cover relating to cyber risks had been added for 2020-21.

In response to a member's question, the Group Executive Director Finance confirmed that governors were covered for travel to conferences.

Members **noted** the report.

F20/52 Agenda Item 14 – Review of Committee Performance

The Chair commented on how gratifying it had been to see all the action taken by the committee over the previous year. The Clerk confirmed that Martin Gray had agreed to join the committee and, if agreed, his appointment would be recommended to Corporation; changes to the terms of reference reflected the change of year to 2020-21 and the changes to senior managers' titles.

Members **noted** the committee's performance against its terms of reference and **agreed** to recommend the appointment of Martin Gray to the Finance and Employment Committee and amendments to its terms of reference to the FE Corporation.

F20/54 Agenda Item 15 – Any Other Business

There were no items of other business.

F20/55 Agenda Item 16 - 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 3, 4, 5, 6, 7, 8.1, 10, 12 and 13 were deemed commercial in confidence; policies were approved for inspection. Minutes of this meeting would be made available for public inspection following committee approval.

F20/56 Agenda Item 17 – Date and Time of Next Meeting

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

In response to the recommendation from the Search and Governance Committee to review timings of meetings, members **agreed** that the start time of meetings should remain at 5.30 pm.

F20/57 Agenda Item 18 – Key Themes

The following items were identified as key themes:

- 2019-20 Group Year end position very positive
- Positive performance by subsidiaries (NETA and TVC) with both achieving year end surplus
- Overall recruitment position very positive across all Group sites, with high 16-18 recruitment, particularly at Bede Sixth Form
- Update on actions required in respect of ESFA subcontracting consultation
- Update on 'Great Place to Work' including staff absence levels, work to promote health and well being and action to improve employee workspaces
- Infrastructure update including proposals in respect of the use of the 'Further Education Capital Allocation', action to improve the quality of NETA's facilities and requirements at Bede Sixth Form
- Key documentation reviewed, including Learner Support Fund Policy, Subcontracting Fees and Charges Policy, Learning and Development Strategy and committee terms of reference

The meeting ended at 6.55 pm.

Approved at a remote meeting held on 26 November 2020