

Finance and Employment Committee Minutes

Meeting held on Thursday 17th June 2021 at 4.30 pm, via Zoom

- Present:** Phil Cook (Chief Executive and Group Principal), Louise Davies (Chair), Martin Gray and Mark White (Corporation Chair)
- Officials:** Lesley Graham (College Principal Stockton Riverside College (SRC)), 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:** Phil Heathcock

As a member of Unison, Mark White declared an interest in Agenda Items 10.4 and 11.

F21/22 Agenda Item 1 - Appointment of Chair and Vice Chair

Members **agreed** to appoint Louise Davies as Chair of the Finance and Employment Committee and thanked her for her contribution as Vice Chair and Interim Chair over the previous six months. Members **agreed** to appoint Mark White as Committee Vice Chair until October 2021.

F21/23 Agenda Item 2 - Minutes of Previous Meeting

The minutes of a Finance and Employment Committee meeting held on 18 March 2021 had been circulated and were **approved** as an accurate record of the meeting.

The Group Executive Director Planning and Infrastructure provided a verbal update on Alternative Provision arrangements with Stockton Borough Council and confirmed that both parties were developing more effective future working arrangements. The Chair **agreed** to send the College Principal SRC details of recently published Department for Education (DfE) guidance on the Alternative Provision Transition Fund. Completed actions and those on the agenda for this meeting had been confirmed and progress against actions was **noted**.

F21/24 Agenda Item 3 – Group Monthly Management Accounts (MMA9)

The Group Executive Director Finance presented the previously circulated monthly management accounts (MMAs) for period 9, to the end of April 2021. She noted the Group's overall positive financial position, NETA's strong financial performance and that Tees Valley Catering (TVC) was forecast a small surplus at year end against a break-even budget. The capital programme was progressing in line with the plan, including additional grant funded capital expenditure received in year over and above the original budget. The bank covenants for 2020-21 continued to show as compliant based on the year end forecast.

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

Agenda Item 4 – Group Budget Monitoring Reports

F21/25 Agenda Item 4.1 – Core Income

The Group Executive Director Planning and Infrastructure confirmed that the core income position was similar to that presented at the previous meeting; he added that the Tees Valley Combined Authority (TVCA) had not yet confirmed their treatment of any Adult Education Budget (AEB) underperformance but it was likely that they would follow the national approach of a 90% threshold. The end of year forecast allowed for a prudent element of clawback from TVCA [REDACTED] in order to mitigate against this risk.

A member commented that the AEB delivery threshold of 90% seemed extremely high and the Group Executive Director Planning and Infrastructure confirmed that, though Etc. expected to meet this threshold, other colleges could be adversely affected by the impact of COVID-19 lockdowns on their AEB delivery.

Members **noted** Core Income at period 9.

F21/26 Agenda Item 4.2 – Non-Core Income

The Group Executive Director Planning and Infrastructure highlighted that non-core funding streams expected to deliver in line with budget. In response to a member's question about income from full cost provision, the Group Executive Director Planning and Infrastructure explained that, given the challenges of the year, the year-end position was forecast lower than budget but that the impact of lockdowns had been mitigated by the team's hard work and subsequent increased demand post-lockdown.

Members **noted** Non-Core Income at Period 9.

F21/27 Agenda Item 4.3 – Additional Learner Support (ALS) Income

The Group Executive Director Planning and Infrastructure reported that overall ALS income, including Learner Support Funds, remained broadly in line with budget. A member commented on the importance of Etc.'s strong relationships with the two main local authorities in relation to Element 3 funding for High Needs learners; the Group Executive Director Planning and Infrastructure confirmed that Etc. staff had worked with local authorities to develop improved processes to support High Needs learners.

Members **noted** Additional Learner Support Income at Period 9.

F21/28 Agenda Item 4.4 – Capital Grants

The Group Executive Director Finance confirmed that additional funding to be held as Deferred Capital Grant had been received in year from the Education and Skills Funding Agency (ESFA) for FE Conditions and Learner Support for IT, resulting in a forecasted increase in the release of grants in line with depreciation of the capital assets purchased with these grants.

Members **noted** Capital Grants Income at Period 9.

F21/29 Agenda Item 4.5 – Project Income

The Group Vice Principal Business, Innovation and Partnerships explained that forecasted project income had reduced since reported to the last meeting due to forecast pipeline projects not yet finalised and the impact of COVID-19 on project delivery; nationally, referrals from Job Centre Plus and the Department for Work and Pensions (DWP) had been affected by the temporary suspension of consequences on claimants not engaging with training courses.

In response to a member's question about possible new initiatives for the following year, the Group Vice Principal Business, Innovation and Partnerships explained that projections were based on well-informed assumptions and forecasts, including an expectation of new projects for the unemployed. In response to a question about project income from Kickstart, he explained that employers applied directly to the DWP for funding, though the 'Get Ready for Roofing' programme at the Roofing Academy at Redcar and Cleveland College (RCC) aimed to improve employability skills and guaranteed participants with a Kickstart work placement interview. In addition, the Group planned to take on ten young people through the Kickstart Scheme from September.

Members **noted** Project Income at Period 9.

F21/30 Agenda Item 4.6 – Other Income

The Group Executive Director Finance outlined, in particular, use of Job Retention Scheme income to offset the impact of COVID-19 on commercial income. She added that an assessment would be made at year end of any additional costs incurred by or income lost to TVC as a result of Group decisions during the year, for example, implementation of the pre-ordering app and reduced numbers of learners and staff on site. Members agreed that this would be a fair approach, given that the additional expenditure and reduced income did not reflect TVC's performance over the year. The Group Executive Director Planning and Infrastructure added that the Group Head of Estates would shortly be leaving the Group; he also confirmed that he would be overseeing the environmental strategy, with the Group Director of Marketing handling communication.

Members **noted** Other Income at Period 9.

F21/31 Agenda Item 4.7 – Subcontracting

The Group Vice Principal Business, Innovation and Partnerships reported on subcontracting forecasts for the current year and noted, in particular, new delivery agreed with TVCA for courses in Banksman & Slinger and Rigging and subcontracted to RelyOn Nutec. These bolt-on courses in offshore wind skills had been developed to match specific job opportunities in the sector.

Members **noted** revised subcontracting levels and **agreed** to recommend their approval to - Corporation.

F21/32 Agenda Item 4.8 – Pay Costs

The Group Executive Director Finance outlined pay costs and confirmed that these were closely monitored through the Business Planning (BP) and Performance Review (PR) cycle and were currently forecast below original budget at year end. Increased academic pay costs were associated with additional funding received to support 16-18 learners to 'catch up' and offset by savings in permanent staffing. She added that the pay cost ratio was currently just below

68% and outlined a proposal to bring an additional 1% pay award into the current financial year, backdated to 1 August 2020. The Group Director of HR explained that the additional 1% was within budget and that unions would be engaged in taking the proposal forward at a Joint Consultative and Negotiation Committee (JCNC) to be held on 22 June. Members agreed that this had been a prudent way to offer staff a 2% pay award over the year and would recognise their hard work.

The Clerk confirmed that, due to the level of increase in planned expenditure, the additional 1% pay award would need to be formally recommended to the FE Corporation. The Group Director of HR confirmed that this would give sufficient time for the ballot process and communication to staff before the end of the summer term. Members **agreed** to recommend approval of the additional 1% staff pay award for 2020-21 to the FE Corporation.

A member asked whether adequate staffing was in place for 2021-22, given the higher forecasted student recruitment. The Group Director of HR explained that student recruitment levels for the following academic year were scrutinised as part of the BP cycle in order to plan for appropriate departmental staffing structures and pay costs. The Chief Executive added that the forecasted recruitment levels had been tested across all lines and that the staffing structure would deliver on these forecasts but that weekly Senior Management Team (SMT) meetings at the start of the academic year would test whether actual recruitment matched the current forecasted levels.

Members **noted** Pay Costs as at Period 9.

F21/33 Agenda Item 4.9 – Non-Pay Costs

The Group Executive Director Finance confirmed that the overspend against budget on non-pay costs included costs associated with additional funding received from the FE Conditions Fund and planned additional consultancy costs for the Group Property Strategy; all lines had been reviewed during PR and assumptions tested.

Members **noted** Non-Pay Costs at Period 9.

F21/34 Agenda Item 5 – ESFA Financial Health Grade and Finance Dashboard

The Group Executive Director Finance confirmed that the ESFA had assessed the Financial Health Grade of the Group as Good based on its review of the 2019-20 Financial Statements, which exceeded the financial plan agreed as part of the merger with Redcar and Cleveland College (RCC). An initial review of the circulated financial dashboard confirmed that there were no areas of concern; the report also outlined the ESFA's proposal to replace the financial ratio for borrowing with one for financing, or debt service cover, which would measure the ability of the Corporation to afford its current debt levels.

On behalf of the Board and the Finance and Employment Committee, the Corporation Chair congratulated the Group Executive Director Finance and her team on this achievement; the Committee Chair commented on the distance travelled since 2017-18.

Members **noted** the confirmed Financial Health Grade of Good by the ESFA based on the review of the audited financial statements 2019-20.

F21/35 Agenda Item 6 –Finance Reports (Subsidiary Companies)

Agenda Item 6.1 – NETA Finance Update

The Group Executive Director Finance commented on NETA's positive financial position and the Chief Executive added that the Capital Group would be considering a property strategy for NETA to support further improvement.

Agenda Item 6.2 – Tees Valley Catering (TVC) Finance Update

The Group Executive Director Finance highlighted the positive contribution that TVC made to the Group by their drive on sustainability and local procurement. Staff morale was also high and a new Chef Manager had recently been appointed. She highlighted the strength of TVC's performance and ability to innovate despite the financial pressures of COVID-19. She noted that the Group Head of Estates would shortly leave the Group to take up a similar post at New College Durham.

Members **noted** the updates.

F21/36 Agenda Item 7 – Student Recruitment Update

The Group Director of Marketing confirmed that there had been no changes to in-year data since the update was circulated and that energy was now focused on recruitment for the forthcoming academic year. She highlighted that some learners had accepted offers across multiple Group sites and courses; work was now ongoing with these learners to confirm intentions. Social media and direct communications were being used to engage with Year 11s and drive applications, with Year 10 Explorer Days also planned. Higher Education (HE) recruitment also looked positive against the same point the previous year.

In response to a member's question, the Group Executive Director Planning and Infrastructure explained the lagged funding model. He added that the effects could be seen starkly in the 2021-22 budget to be presented under the next agenda item, with about £2m of unfunded provision; the financial benefits of higher recruitment would only be realised in 2022-23. In response to a member's concern that learners could apply to several colleges, the Chief Executive explained that this was a sensible approach for the learners themselves and it was therefore important that the Marketing team and college principals focused on providing prospective learners with the best experience to ensure Etc. would be the learners' first choice.

Members **noted** the update.

Agenda Item 8 – Draft Budgets 2021-22 and financial forecasts

F21/37 8.1 – Funding Allocations

The Group Executive Director Planning and Infrastructure explained that the financial details in his previously circulated paper represented a 'point in time' comparison of the Group's main sources of public funding to the same time last year and provided supporting information to the budget development papers. Allocations were subject to change and, in particular, TVCA's allocation for devolved AEB funding for learners with Tees Valley postcodes would not be

confirmed until July. A bid had been submitted to TVCA as part of a tender process; the level of funding requested had built on the in-year growth in 2020-21 and proposals reflected Bespoke employer led priorities (BELPs) for the area.

Members **noted** the funding allocations.

F21/38 8.2 – Proposed Subcontracting 2021-22

The Group Vice Principal Business, Innovation and Partnerships outlined that two new subcontract providers were proposed for 2021-22. New partnerships with South Tees NHS Foundation Trust and Humberside Fire and Rescue were proposed to provide provision for NEETs (Not in Education, Employment or Training) and unemployed people with the intention of progressing them into employment. Work with other subcontractors on non-devolved AEB was based on a successful tender and delivery would be reviewed once funding levels were confirmed, however, Prince's Trust would remain as priority subcontracted provision out of area.

The Group Executive Director Planning and Infrastructure confirmed that the Group was compliant with the ESFA subcontracting guidance, recently considered by the FE Corporation. In response to an ESFA review of the Group's subcontracted provision, the Group had been able to demonstrate that, although Prince's Trust provision accounted for a high proportion of the non-devolved AEB, there was a strong strategic rationale and it accounted for a smaller percentage of overall AEB funding. The Group had also demonstrated that the overall value of subcontracted provision as a proportion of total income had been reduced.

In response to a member's question, the Group Vice Principal Business, Innovation and Partnerships explained that the subcontracting audit had been completed and that the draft report and compliance certificate, once reviewed by AuditOne, were expected the following week.

Members **agreed** to recommend proposed subcontracting for 2021-22 to the FE Corporation and agreed that subcontracting added value to the Group's vision and values.

F21/39 8.3 – Draft Revenue and Capital budgets and financial forecasts (College Financial Forecast Return)

The Chair confirmed that she had discussed the draft budgets with the Group Executive Director Finance in advance of the meeting.

The Group Executive Director Finance explained that BP3 had concluded on 16 June, later than in previous years, and that further work on budget development would be undertaken prior to the Corporation meeting on 1 July; as previously highlighted, there were also delays in confirmation of some funding. A variance report would be provided when the budget was presented to the FE Corporation for approval. She confirmed that the budget remained in line with the Integrated Financial Model for Colleges (IFMC) submitted to the ESFA in January 2021. The grant to cover the increase in Teachers' Pension employer contributions had been confirmed for 2021-22 but a pro-rata amount had been included in the 2022-23 forecast on the assumption that there was no guarantee of grant funding beyond March 2023. In terms of

pensions, the Group Executive Director Finance confirmed that the pensions deficit represented negative net liabilities and negative Income and Expenditure reserves on the Group's balance sheet; this had been discussed at the Association of College's (AoC's) Finance Director's network and 38% of colleges were in a similar position. She added that it was possible that the deficit could be reduced as financial markets became more positive. She also confirmed that the total Capital Budget would be [REDACTED] and that a detailed capital programme would be prepared over the summer.

A member commented that she would have expected more than 38% of colleges to have a pensions deficit and the Group Executive Director Finance agreed. A member also commented that, as with schools' increased pupil allocations to take account of pay and pensions increases, the funding formula for colleges could be similarly altered in the future.

Members **agreed** to recommend the revenue and capital budgets to the Corporation for approval and **noted** that variances to the budgets presented to the committee would be reported at Corporation.

F21/40 Agenda Item 9 – Social Value Statement in support of Local Procurement

The Group Executive Director Finance explained that advice had been sought from Tenet, procurement specialist advisers to the Group, to establish how local procurement could be promoted further. It was proposed that by demonstrating a clear link to social value in procurement processes and the Group's values, social value could be considered when evaluating tenders. She explained that the Group already had a Public Value Statement in place and it was proposed to expand this with a reference to social value.

In response to a member's question, the Group Executive Director Finance clarified that local communities would start with the Tees Valley area but could be widened to the north east in general. Members requested that a review of how the policy was developing should be presented to the committee in the autumn term.

Members agreed that best value did not always mean the lowest price and that, although national companies could often provide better value financially, a local company often employed local people. A member asked if the Group had preferential terms for local suppliers and the Group Executive Director Finance explained that a range of payment terms were in place and could be reviewed with reference to local procurement. Members also suggested that the Group Director of Marketing consider a communications strategy in the autumn on how the Group, as a large local organisation, supported the local community and economy.

Members **agreed** to recommend agreement to the FE Corporation of a social value statement for the Group to support the procurement strategy and in particular the promotion of local procurement.

Agenda Item 10 – Policies

F21/41 10.1 – Tuition Fee Policy

The Group Executive Director Planning and Infrastructure confirmed that this policy was considered by the committee annually and that there were no fundamental changes to the

previous year. It was anticipated that TVCA guidance would be updated in line with national guidance and the policy updated accordingly ahead of the 2021-22 academic year.

Members **agreed** the Tuition Fee Policy for 2021-22.

F21/42 10.2 – Subcontracting Fees and Charges Policy

The Group Vice Principal Business, Innovation and Partnerships explained that the policy was reviewed and published annually; the policy remained unchanged from the previous year, with amendments made only for consistency or in formatting.

Members **agreed** the Subcontracting, Supply-chain Fees and Charges Policy.

F21/43 10.3 – Learner Support Fund Policy

The Clerk confirmed that the annex to the Learner Support Fund Policy had been approved by the Corporation Chair under delegated authority and had been presented for the committee to note. The Committee Chair commented that she had been consulted on the change at the time and that the rapid response to the identified issue had benefited learners.

Members **noted** the Chair's decision to agree an amendment to the Learner Support Policy under Chair's action.

F21/44 10.4 – HR Policy Update

The Group Director of HR outlined minor changes made to existing policies and the proposed new policy, Harassment, Discrimination and Bullying Policy and Procedure. She referred to the specific reference in the Ofsted Education Inspection Framework (EIF) that leaders have a framework to protect staff from harassment, bullying and discrimination.

A member asked if the guidance on social media friendships between staff and learners included in the Staff Code of Conduct also extended to learners' close family. The Group Director of HR explained that this had not been flagged as an issue but that the situation would be monitored. She added that all staff were required to read the Staff Code of Conduct as part of their induction. A member queried the £10 limit for gift declaration and noted that generally gifts of more than £25 to £30 would be recorded in a register of gifts and hospitality; the Group Director of HR confirmed that this nominal amount encouraged staff to notify the Clerk of every gift. The Clerk added that she received a small number of declarations each year, mainly from senior managers.

Members **approved** the new Harassment, Discrimination and Bullying Policy and Procedure and **noted** the updates to Employee Relations Combined, Disciplinary and Grievance policies and procedures and the Staff Code of Conduct.

F21/45 Agenda Item 11 – Great Place to Work Update

The Group Director of HR highlighted that, in addition to the three UCU reps, a new Unison rep was in the process of being appointed. In terms of staff health and well-being, absence was closely monitored and, since the overall staff absence rate reported at the end of April,

progress had been made on long term sickness cases. As requested at a previous meeting, data on hourly paid contracts had been included and she confirmed that the use of these contracts gave flexibility and was monitored. She added that the Group was experiencing some difficulty in recruiting to some specific roles and that the Group was taking a proactive approach to staffing arrangements, with a homeworking pilot scheme currently underway.

A member asked if there was any feedback from strategies to develop and invest in high performing staff. The Group Director of HR explained that it was too early to report on the impact of the Learning and Development Strategy which aimed to highlight staff with high potential and give them focused individual support. Governors had been invited to attend presentations made by staff who had participated in the Leading from the Middle programme.

Members **noted** the update.

F21/46 Agenda Item 12 – Gender Pay Gap Report

The Group Executive Director of HR confirmed that the data circulated covered the years 2019-20 and 2020-21; the Equality and Human Rights Commission (EHRC) had suspended reporting requirements due to the impact of COVID-19 and set employers a deadline of 5th October 2021 to upload data for both years. She highlighted that there had been a slight widening of the median pay gap and analysis work would be undertaken on the detail behind the figures; it was important to note that the data represented a snapshot taken in April each year and therefore did not capture all employees. An action plan was under development, including the potential effect of the living wage, and progress was monitored through the Equality and Diversity Group.

Members **approved** the Gender Pay Gap data in the report for publication on the Gov.uk site for the years 2019-20 and 2020-21.

F21/47 Agenda Item 13 – Taking Teaching Further

The College Principal SRC presented her previously circulated paper which had been requested by committee members. She explained that Taking Teaching Further (TTF) was a national initiative delivered by the Education and Training Foundation (ETF) on behalf of the Department for Education (DfE) and was designed to attract industry professionals to work in Further Education (FE). The programme provided the college with financial support to recruit and train new teachers; participants could not have worked in education prior to recruitment onto the programme and were expected to achieve a Level 5 Diploma in Education and Training. Details of successful bids in rounds 2 and 3 had been included in the report and a further three TTF places had been awarded in round 4, with the possibility of securing an additional three places. A specific induction programme would be in place from September to develop a support infrastructure and aid retention and it was noted that one trainee in round 3 had left the programme having only experienced remote teaching. A member commented that retaining 5 out of the 7 trainees was a good outcome given the demands of teaching.

Members **noted** the update on Taking Teaching Further.

F21/48 Agenda Item 14 – Infrastructure – Group Property Strategy Update

The Group Executive Director Planning and Infrastructure confirmed that he had received the draft Group Property Strategy that day and that it accurately reflected the high level discussions that had taken place with governors. An additional project was being developed to support the expansion of capacity at Bede through a bid to the newly announced Post-16 Capacity Fund; if successful, funding would be used for a three-storey extension to cater for increased demand in line with demographic increases. As yet, no decisions had been made by the DfE on other bids submitted; Property Strategy development was progressing in line with the original timescale despite the complications of delays in government decision making.

The Clerk confirmed that the Search and Governance Committee had met earlier that day and had agreed to recommend the membership and terms of reference of a Capital Group to the FE Corporation. The first meeting was planned for September and the task and finish group would include two members of the Finance and Employment Committee, Louise Davies and Martin Gray.

Members **noted** the Group Property Strategy update.

F21/49 Agenda Item 15 – Any Other Business

Sick Pay Scheme

The Group Director of HR thanked committee members for accepting the report outlining changes to the Group Sick Pay Scheme as a matter of other business. She confirmed that the proposal had been developed through joint working with the unions and that, once approved, the new scheme would be formally proposed through the JCNC who would consult their members. In recognition of the removal of the additional pay historically covered through an insurance scheme no longer in place, a Year 5 benefit had been introduced alongside wording to allow flexibility in exceptional circumstances. Members **agreed** to recommend approval of the Sick Pay Scheme to the FE Corporation.

Accounting Treatment relating to grant

The Group Executive Director Finance outlined a condition relating to the grant from the Football Foundation and resulting changes to the accounting treatment requirement to evidence a ring-fenced sinking fund in the annual accounts. This had been reviewed by the Group's external auditors, RSM, who advised that the FE Corporation approve the designation of £25k per year to build up a reserve for the sinking fund for 21 years which would be disclosed in a note to the statutory accounts at each year end. Members commented on the high quality of the new pitch at RCC and its value in encouraging the local community to use the new facilities. Members **agreed** to recommend approval to the FE Corporation.

The Clerk highlighted the poor attendance of the co-opted member at meetings and members **agreed** that the Clerk should approach him to ascertain his ability to meet his commitments as a committee member.

F21/50 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 all agenda items were deemed commercial in confidence. Policies would

be published on the website following approval by the FE Corporation. Minutes of this meeting would be made available for public inspection following committee approval.

F21/51 Agenda Item 17 – Dates and Times of Future Meetings

The dates of future meetings were **agreed**:

Thursday 7 October 2021, 5.30 pm

Thursday 25 November 2021, 5.15 pm (joint meeting with Audit Committee) and 6.15 pm (Finance and Employment Committee)

Thursday 31 March 2022, 5.30 pm

WEDNESDAY 22 June 2022, 5.30 pm

Members **agreed** to hold all meetings in person subject to government guidelines; members would have the option to join remotely.

F21/52 Agenda Item 12 – Key Themes

The following items were identified as key themes:

- Monthly Management Accounts for Period 9 (to the end of April 2021) and budget monitoring reports considered
- ESFA financial health grade confirmed as Good
- Committee recommendations to the FE Corporation:
 - Variation to expenditure with reference to staff pay award
 - Revised subcontracting levels 2020-21 and proposed subcontracting activity 2021-22
 - Revenue and capital budgets 2021-22 and financial forecasts 2022-23
 - Social value statement
 - Accounting treatment requirement relating to Football Foundation grant
- Agreed the Tuition Fee Policy, Subcontracting Supply-Chain Fees and Charges Policy and a range of HR policies (Harassment, Discrimination and Bullying; Employee relations combined; Disciplinary; Grievance; Staff Code of Conduct)
- Agreed Gender Pay data to be uploaded to the Government portal by 5 October 2021 to meet Etc.'s legal duty and noted that a 'public facing' statement, along with the data, would be published on the Etc. website
- Considered updates on student recruitment, the Great Place to Work strategy, Taking Teaching Further and the Group Property Strategy
- Agreed proposed changes to the Sick Pay Scheme

The meeting ended at 6.35 pm

Agreed at a meeting held on 21 October 2021