

Finance and Employment Committee Minutes

Meeting held on Thursday 25th November 2021 at 6.35 pm, via Teams

- Present:** Phil Cook (Chief Executive and Group Principal), Louise Davies (Chair) and Martin Gray
- Officials:** Jason Faulkner (College Principal Redcar and Cleveland College (RCC)), 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:** Fabienne Bailey, Jen Vanderhoven and Mark White

The Clerk confirmed the meeting was quorate and members agreed to start the meeting at 6.35 pm, slightly earlier than scheduled. There were no declarations of interest in items on the agenda.

F21/83 Agenda Item 1 - Minutes of Previous Meeting

1.1 - Minutes of previous meeting

The minutes of a Finance and Employment Committee meeting held on 21 October 2021 had been circulated and were **approved** as an accurate record of the meeting.

1.2 – Matters Arising

The Group Executive Director Finance confirmed that benchmarking of funding stream proportions against other colleges' data would be included in the Monthly Management Accounts (MMAs) from MMA 3 onwards. All other actions had been completed or were not yet due; progress against actions was **noted**.

F21/84 Agenda Item 2 – Infrastructure Update

The Group Executive Director Planning and Infrastructure had provided an update on development of the Group Property Strategy and related capital projects in the circulated report; a governors' Capital Group had been established to provide detailed oversight and meetings were being held monthly. He highlighted that the procurement process for both the T Level Capital funded project and the Clean Energy Education Hub at Redcar and Cleveland College (RCC) would be discussed by the Capital Group in early 2022; Etc. had employed the services of AA Projects and Richard Shaw (GenNorth), an experienced project manager and construction specialist, to support this work.

Members **noted** the update.

Kay Taylor and Erika Marshall joined the meeting.

F21/85 Agenda Item 3 – Capital Programme Review

The Group Executive Director Finance had provided an update on the process currently being undertaken to evaluate the impact of capital expenditure 2019-20. She highlighted that this evaluation process only included standard capital projects, [REDACTED] with a twelve-month post implementation review of each area scheduled for Performance Review 3 (PR3). As PR3 had only commenced on 22 November, an example of an evaluation had been included as an appendix; a more detailed summary of evaluations would be available for the next meeting.

A member commented on the unforeseen secondary impact noted in the example review that the project had also created a completely separate exam space and reflected that this demonstrated the value of such reviews. The Group Executive Director Finance agreed and added that further information was requested from budget holders if reviews were not considered to be detailed enough.

Members **noted** progress of the capital programme review 2019-20.

F21/86 Agenda Item 4 – Group Monthly Management Accounts (incorporating Etc., NETA and TVC)

The Group Executive Director Finance presented the monthly management accounts (MMAs) for period 2, updating the year to 30 September 2021, and explained that the Senior Management Team (SMT) had carried out a high-level financial review post-enrolment which had led to some adjustments to forecasts. A full review would be carried out at PR3, following which forecasts would be updated; forecasts represented a balanced view with mitigating actions taken in response to the challenges identified. She confirmed that cash balances for the Group remained healthy and were aligned to the financial plan and that the bank covenants showed as compliant.

Members **noted** the Group Monthly Management Accounts period 2 (MMA2).

Agenda Item 5 – Group Budget Monitoring Reports

Reports on the following Group budgets had been circulated with the meeting papers:

F21/87 Agenda Item 5.1 – Core Income

The Group Executive Director Planning and Infrastructure confirmed that the position in relation to core income streams was in line with budget levels, with the exception of apprenticeships, which was below budget as a result of lower, COVID-19 related, recruitment. As noted under agenda item 4, the SMT had therefore explored apprenticeship income as part of the post-enrolment review and noted that, with lower recruitment in the latter part of 2020-21, fewer apprenticeship learners had been 'carried-in' to the current year; work would be undertaken to improve the accuracy of apprenticeship forecasting.

A member acknowledged the impact of COVID-19 but asked if apprenticeship recruitment levels had been overestimated. The Group Vice Principal Business, Innovation and Partnerships confirmed that the pandemic had changed the apprenticeship market, as had the shift to the Digital Apprenticeship service; the Group was currently carrying [REDACTED] vacancies as some of these apprenticeship places were proving less attractive to learners. Forecasting would be reviewed to reflect greater uncertainties and volatility in the market; he

added that as more income was lost with lower recruitment to Standards compared with Frameworks, some adjustment to mitigation levels was also needed. The Group Director of HR confirmed that employers were finding it hard to recruit to trainee and apprentice posts, including Etc.'s own business administration apprenticeships. The Group Vice Principal Business, Innovation and Partnerships added that, in the high demand areas of construction and engineering, the Group faced difficulties recruiting assessors.

In response to a member's question about apprenticeship marketing, the Group Director of Marketing explained that, as engagement with traditional marketing tools had reduced, the Group had introduced more innovative tactics and tools, including more specific marketing and open events. In response to a follow-up question, she confirmed that the full post-16 offer, from A Levels to apprenticeships, was promoted during visits to schools.

Members **noted** Core Income at period 2.

F21/88 Agenda Item 5.2 – Non-Core Income

The Group Executive Director Planning and Infrastructure highlighted that non-core income assumptions would be tested through the recently commenced PR3 process, with most income streams currently forecast in line with budget expectations. Members **noted** Non-Core Income at Period 2.

F21/89 Agenda Item 5.3 – Additional Learner Support (ALS) Income

The College Principal RCC explained that ALS income for the year looked positive; Element 2, or guaranteed place, funding from the Education Funding Agency (EFA) had been allocated for the year and had risen year on year as a result of increased recruitment of learners designated as High Needs. Relationships with the two main local authorities remained positive, with [REDACTED]% of Element 3 funding already agreed and [REDACTED] further Annex 1 assessments awaiting approval; Element 3 funding was currently expected to be slightly higher than forecast.

Members **noted** Additional Learner Support Income at Period 2.

F21/90 Agenda Item 5.4 – Learner Support Funds

Members **noted** Learner Support Funds income at Period 2 and that the Learner Support Funds budget was currently forecast in line with budget for 2021-22.

F21/91 Agenda Item 5.5 – Capital Grants

The Group Executive Director Finance confirmed that capital grants received by the Group were held on the balance sheet as 'Deferred Capital Grants' and released to the Income and Expenditure account on a monthly basis in line with depreciation and was a 'non-cash' item on the balance sheet. Members **noted** Capital Grants Income at Period 2.

F21/92 Agenda Item 5.6 – Project Income

The Group Vice Principal Business, Innovation and Partnerships explained that project income was forecast to deliver above budget, primarily due to additional projects not factored into budgets such as the Skills Development Fund (SDF), which included both capital and revenue funding, and additional Taking Teaching Further posts.

Members **noted** Project Income at Period 2.

F21/93 Agenda Item 5.7 – Other Income

The Group Executive Director Finance highlighted that commercial income targets had been set on the basis of business as usual; a prudent forecast had been included at this point in the year and would be tested at PR3. A member asked about income from pitch lettings and the College Principal RCC confirmed that lettings had commenced in August 2021; the Community Support Officer post had been advertised though recruitment had proved difficult and, although leisure assistants had also been hard to recruit, the artificial pitch was fully operational and generating income.

Members **noted** Other Income at Period 2.

F21/94 Agenda Item 5.8 – Subcontracting

The Group Vice Principal Business, Innovation and Partnerships reported on key changes to 2021-22 partner activity since presented at the June 2021 committee meeting; some changes to subcontracting had been as a result of partners not having received approval for procured Adult Education Budget (AEB) funding, with one provider, [REDACTED] now directly funded by the Tees Valley Combined Authority (TVCA). In total, the level of subcontracting had decreased with changes listed in the circulated report. The Group Vice Principal Business, Innovation and Partnerships confirmed that the mandatory Subcontract Declaration, which now also included 16-19 provision, had been submitted to the Education and Skills Funding Agency (ESFA) for 2021-22.

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

F21/95 Agenda Item 5.9 – Pay Costs

The Group Executive Director Finance explained that pay costs were monitored by both herself and the Group Director of HR; at this point in the year some savings on the budget set were expected and these would be tested with Heads of Department at PR3. Projections were currently underway to assess the impact of the increases in National Insurance contributions and to the National Living Wage, effective from April 2022, including the wider impact on the pay scale structure. Staffing costs and structures were scrutinised through the PR process, with budget holders expected to seek savings through efficiencies.

A member commented on the importance of pay increments reflecting levels of responsibility and the Group Director of HR agreed that this was an area of focus, especially with current recruitment issues.

Members **noted** Pay Costs as at Period 2.

F21/96 Agenda Item 5.10 – Non-Pay Costs

The Group Executive Director Finance confirmed that, following the high level financial review undertaken by SMT, non-pay costs were currently predicted in line with budget and would be further reviewed at PR3. Costs associated with the recently awarded Strategic Development

Fund (SDF) contract were not yet included but any costs would be offset by additional income. Members **noted** Non-Pay Costs at Period 2.

F21/97 Agenda Item 6 – Finance Reports (Subsidiary Companies)

Agenda Item 6.1 – NETA Finance Update

The Group Executive Director Finance explained that the Final Accounts for NETA Training Trust and NETA Enterprises had been approved at the NETA Board meeting held on 12 November and approval obtained for their consolidation into the Group accounts. The circulated report outlined the financial position for the year to date as presented at the Board meeting and represented a positive position

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

The Group Executive Director Finance highlighted that the TVC Board had also met on 12 November, with the Final Accounts approved and approval given for consolidation into the Group accounts. Financial performance for the current year to period 2 was in line with forecasts. A new Group Head of Estates had been appointed and updates on service delivery at TVC outlets had been outlined in the circulated report. Actions were being taken to mitigate staff shortages, both due to staff absence and recruitment difficulties, with support from the HR team; the TVC Operations Manager was taking every step to ensure that the required level of service was maintained.

In response to a member's question about the Service Level Agreement with the Durham University International Study Centre, the Group Executive Director Finance explained that the contract was not intended to provide a significant level of income but that staff took pride in service delivery and feedback had been positive. There could be potential for future developments. She added that the transfer of responsibility for the Waterfront Café to curriculum had allowed a further member of TVC staff to work at Café Aroma.

A member asked if an upturn in hospitality was anticipated and the Group Executive Director Finance explained that hospitality was a secondary source of income for TVC and that core income was driven by footfall on site; with attendance on site returning to former levels it was expected that income would increase and forecasts would be updated following PR3.

Members **noted** the updates.

F21/98 Agenda Item 7 – ESFA Financial Health Grade, including Finance Dashboard

The Group Executive Director Finance explained that, following review of the updated College Financial Forecast Return (CFFR) submitted in October, the ESFA had confirmed the current financial health of the Group as Good for 2020-21 and Outstanding for 2021-22. Both the confirmation letter from the ESFA and the financial dashboard had been included as appendices to the report; she highlighted that the dashboard gave governors a high level overview of the Group's financial performance and management responses to key areas had been detailed in the report.

The Chair commented on the Group's financial position bearing in mind the merger with RCC, which was a credit to the Group Executive Director Finance and the Finance Team. The Group Executive Director Finance agreed that performance against the Key Performance Indicators (KPIs) contained in the Restructuring Facility (RF) agreement demonstrated that the merger with RCC had been successful, particularly given that the financial health of the Group had been assessed as Good a year earlier than expected.

Members **noted** the confirmed Financial Health grade by ESFA based on the review of the CFFR 2021 to 2023 of Good 2020-21 and Outstanding 2021-22.

F21/99 Agenda Item 8 – Student Recruitment Update

The Group Director of Marketing provided an update on the student recruitment data included in the circulated report and confirmed that, overall, recruitment data was higher than the previous year. The focus was now on retention of learners and on Prince's Trust and apprenticeships recruitment during the year, as well as engagement with parents and schools to drive open event footfall and applications for 2022-23. It was acknowledged that, with prospective learners possibly two years behind emotionally and socially, parental support could be a key factor in student recruitment.

In response to a member's question, the Group Director of Marketing confirmed that, though [REDACTED] up on the previous year, student recruitment had been below the targets set. Some analysis had been done on specific areas of under-recruitment, such as performing arts at Stockton Riverside College (SRC) and engineering at RCC; students had often accepted offers from several different colleges and then chosen to follow friends so it was vital to ensure that those with accepted offers were made to feel part of the college. She highlighted that recruitment to computing, digital and media had been higher than anticipated and that recruitment had not necessarily followed sector trends, for example, travel and tourism recruitment had increased at SRC but had decreased at RCC.

Members **noted** the update.

F21/100 Agenda Item 9 – Treasury Management Report and Policy

The Group Executive Director Finance explained that the circulated report summarised treasury management activity for 2020-21, including cash balances, inter-company loans and long term borrowing; she confirmed that there were no proposed amendments to the Treasury Management Policy. In light of the major capital schemes in progress and any resulting cash flow requirements, the strategy for 2021-22 was to give notice to Barclays to remove the funds from Green Deposit accounts until such a time as they could be reinvested. The Group Executive Director Finance confirmed that, with the previous Group Head of Finance having been removed as a signatory on the bank accounts for NETA Training Trust and TVC, approval was sought to add the new Group Head of Finance to the subsidiary bank accounts; the Group's main bank account would be unaffected. The Group Executive Director Finance added that, in the period where there was no Group Head of Finance in post, she had been responsible for the release of both supplier payments and salary payments in order to maintain segregation of duties. The Senior Finance Officer had also stepped up to ensure segregation during this time.

A member asked if there had been any close party transactions during the year, including any under the reportable limit; the Group Executive Director Finance confirmed not and that this had also been confirmed with the external auditors, RSM.

Members **noted** the update and **approved** the addition of the new Group Head of Finance as signatory to the subsidiary accounts.

F21/101 Agenda Item 10 - Insurances

The Group Executive Director Finance outlined the tender exercise which had resulted in the award of tender to a new insurance broker, FE Protect, who had offered savings and an improved level of service compared to the existing providers, Zurich. Following a meeting with FE Protect to discuss the appropriate level of insurance, increased cover had been agreed in certain areas which had resulted in a small increase in overall insurance costs. A full breakdown of the sums insured and insurance premiums, with a comparison to the previous year, had been included in the report and the Group Executive Director Finance confirmed that the level of insurance was appropriate for the Group.

Members **noted** the report and **agreed** that, following a robust tender process, the insurance cover in place was adequate for the Group.

F21/102 Agenda Item 11 – Great Place to Work update

The Group Director of HR had provided an update covering the seven themes of the Great Place to Work strategy. She highlighted that overall staff absence levels were closely monitored and were higher than the target [REDACTED] with almost 1% accounted for by COVID-related absences. HR advisers worked closely with managers specifically on long-term absence cases some of which were linked to individual's mental health; there was also an increase in the number of staff accessing the Employee Assistance Programme. Following the successful homeworking pilot, further work on hybrid working would be undertaken, including identification of those roles not suitable for this type of working. A full review of the Great Place to Work Strategy was planned for January 2022; this would take account of feedback from the annual staff survey and staff recruitment would be a particular area of focus.

A member asked about the impact of long COVID and the Group Director of HR explained that this accounted for two out of the ten current long term absence cases and that anxiety and stress in relation to COVID, for example, having vulnerable family members, was having a greater impact. A member commented that this was also reflected in their own organisation and the Group Director of HR felt that, with greater awareness of anxiety and stress, this had overtaken musculoskeletal problems as the main reason for long term absences. Staff absence rates had fallen significantly when staff were working from home and the return to working on site had led to some increased anxiety, stress and mental health issues; staff received targeted support including access to a six-week resilience programme.

Members **noted** the update and the planned refresh of the strategy in January 2022.

F21/103 Agenda Item 12 – Pay Award

The Group Executive Director of HR had outlined the trade unions recognised by the Group, UCU and UNISON, and the procedures for consultation and negotiation of pay awards in the circulated report; there had been no update on the progress of national pay negotiations and a Joint Consultation and Negotiation Committee (JCNC) was scheduled for January 2022. The Group had budgeted for a 1% pay award and the budgetary implications would be reviewed through PR3.

Members **noted** the national pay claim and the Group pay award to be submitted to the JCNC.

F21/104 Agenda Item 13 – Review of Travel and Subsistence Rates

The Group Director of HR confirmed that no changes were proposed to the travel and subsistence rates or to the policy and procedure; she added that, with the increased use of Teams for meetings and conferences, travel and subsistence claims had dramatically reduced over the last two years, including less travel between Group sites.

Members **approved** the Travel and Subsistence Policy and Procedure.

F21/105 Agenda Item 14 – Any Other Business

There were no items of other business.

F21/106 Agenda Item 15 – Approval of Documents for Inspection

It was **agreed** that the agenda for the current meeting be made available for public inspection; supporting papers for all agenda items were deemed commercial in confidence, with the exception of the reports for Agenda Items 3 and 13. Policies would be published on the website or in house Gateway as appropriate. Minutes of this meeting would be made available for public inspection following committee approval.

F21/107 Agenda Item 16 – Date and Time of Next Meeting

Thursday 31 March 2022, 5.30 pm, SRC 301

F21/108 Agenda Item 17 – Key Themes

The following items were identified as key themes:

- Monthly Management Accounts for Period 2 and budget monitoring reports considered
- Updates on infrastructure, capital programme review and 2021-22 pay award proposals
- Update on progress on the Great Place to Work Strategy, with a refresh of themes planned for January 2022, taking account of feedback from the annual staff survey
- Confirmed ESFA Financial Health grade of Good for 2020-21 and forecast to be Outstanding for 2021-22 and financial dashboard reviewed, with no areas of concern
- Treasury management 2020-21 reviewed and approved
- Following a robust tender process, FE Protect appointed as the Group's insurance adviser from 1 August 2021; insurance cover had been fully reviewed and assessed as meeting the Group's needs

Jason Faulkner, Phil Hastie, Erika Marshall, Gary Potts, Fiona Sharp and Sam Young left the meeting.

F21/108 Agenda Item 18 – Remuneration Committee Recommendations (confidential to governors)

This item was deemed confidential to governors.

The Clerk presented the circulated report providing feedback from the Remuneration Committee meeting held on 11 November 2021.

The Finance and Employment Committee Chair, also Remuneration Committee member, highlighted that the Remuneration Committee had considered performance reviews for the Chief Executive, senior post holders (Group Executive Director Finance and Group Executive Director Planning and Infrastructure) and the Clerk. [REDACTED] The Remuneration Committee had also agreed objectives for 2021-22 for the Chief Executive, senior post holders and the Clerk covering the range of business [REDACTED].

Other items considered by the Remuneration Committee included: overview of the performance of members of the Senior Management Team; review of committee performance; and agreement of the Annual Remuneration Report and Statement for presentation to the FE Corporation.

Governors **agreed** the Remuneration Committee recommendation [REDACTED].

The Clerk left the meeting.

[REDACTED]

Approved at a meeting held on 31 March 2022