

Finance, Capital and Resources Committee Minutes

Meeting held on Thursday 20th June 2024 at 5.30 pm, Boardroom, Stockton Riverside College

- Present:** Stuart Blackett (Corporation Chair), Louise Davies (Committee Chair), Grant Glendinning (Chief Executive and Group Principal) and Fabienne Bailey (via Teams)
- Apologies:** None received
- Officials:** Jason Faulkner (Executive Principal Redcar and Cleveland College & NETA), Phil Hastie (Chief Operating Officer), Erika Marshall (Group Director of Marketing and Business Engagement), Fiona Sharp (Chief Financial Officer) and Sarah Thompson (Group Director of Governance)

F24/15 Agenda Item 1 – Welcome and introductions

The Chair welcomed attendees to the meeting; no apologies for absence had been received but it was noted that Hamish Rutherford, governor, was absent from the meeting. There were no declarations of interest in items on the agenda and no additional items of business notified for consideration at the end of the agenda. An overview of key strategic risks relevant to the committee had been circulated with the meeting papers and governors were asked to consider during the meeting whether reports and information provided sufficient assurance against these risks.

F24/16 Agenda Item 2 – Minutes of previous meeting

The minutes of the Finance, Capital and Resources Committee meeting held on 21 March 2024 were **approved** as an accurate record of the meeting. The circulated action progress log was **noted** and it was **agreed** to close an action relating to following up offers of procurement support from Railpen and Redcar and Cleveland Borough Council, as adequate progress in relation to this had now been achieved.

Financial Issues

F24/17 Agenda Item 3 – Finance update and Group Monthly Management Accounts

The Chief Financial Officer presented her circulated report summarising the group's current financial position; the monthly management accounts (MMAs) to Period 9, 30 April 2024, and the financial health letter received from the Education and Skills Funding Agency were also provided. The Chief Financial Officer reported that the year end forecast had declined slightly since last reported and remained below initial budget, primarily as a result of a shortfall in apprenticeship income identified at an early stage in the year. The forecast showed a worst case position with some potential for improvement. In response to governors' queries, the Chief Financial Officer confirmed that the Etc. remained comfortably within the 'good' financial health bracket and the reasons for the failure to achieve budget were understood. This included offsetting shortfalls in income against maintaining high quality provision within individual

departmental budgets. She also confirmed that Etc. payscales were not specifically aligned to any national payscales but the Association of Colleges' (AoC) recommendations on pay awards were implemented where appropriate. Anecdotal information from other Finance Directors indicated that a staff cost to income ratio of 70% was not uncommon in the sector and there was a general acceptance that the FE Commissioner benchmark of 65% was not achievable in the current climate.

[REDACTED]

In response to a further query, the Chief Financial Officer explained that the group acted as an agent for Learner Support Funding, which was received from the Education and Skills Funding Agency and therefore stripped out of the Income and Expenditure account at year end. Many colleges did not show this funding through the Income and Expenditure account and the Etc. was exploring options to present this funding in a different way.

Governors noted an overview of Innersummit's financial performance within the MMA and asked when the group expected the acquisition to achieve a positive financial position. The Chief Financial Officer reported that a small surplus had been achieved in the current year. The accounts would reflect that Innersummit had operated as a subsidiary company from its acquisition on 1 September 2023 until 1 February 2024 when operations had been incorporated into the Etc. as a department within Bede, overseen by the strategic lead for professional services. Senior managers reported that re-branding of Innersummit had embedded this within the Etc. and services were now being promoted by the Business Development team so substantial growth of Professional Services was anticipated.

Governors commented that the level of aged debtors over 90 days appeared high at around £[REDACTED]k. The Chief Financial Officer reported that this primarily related to learners paying fees in instalments.

Governors **noted** the monthly management accounts for period 9 and the revised position following Performance Review 9.

F24/18 Agenda Item 4 – Budget monitoring reports

The Executive Principal Redcar and Cleveland College and NETA presented his circulated budget monitoring reports in respect of project income and subcontracting.

Project Income

The Executive Principal highlighted that funding for Skills Bootcamps had been removed from Project Income and was now reported under Core Income to avoid double-counting, resulting in a significant change to the year end forecast for Projects. Project income reflected additional projects not initially factored into the budget.

Subcontracting

Members noted that a delay in a subcontractor progressing through the due diligence process (Northern Renewables Centre) had impacted on subcontracted Skills Bootcamp income. It was confirmed that due diligence had now been completed and no significant impact on year end

was anticipated, as this contract related to a growth bid approved by the Tees Valley Combined Authority.

Members discussed approval for subcontracting, recognising the importance of balancing oversight by governors with scope for appropriate decision-making by senior managers. It was noted that colleges needed to comply with the Subcontracting Standard, introduced as funding agencies viewed subcontracting as a high risk area. It was suggested that governors could consider agreeing a ceiling limit or high level parameters for subcontracted provision. It was acknowledged that there had been a high level of flux within subcontracting provision in the current year, reflecting the introduction of Skills Bootcamps Wave 5 from April 2024. The college utilised subcontracted provision to meet local skills needs and received a financial benefit from the 20% management fee. In response to a query, it was clarified that bootcamps were short programmes, usually less than 16 weeks, so had minimal risks in terms of quality and outcomes. Provision could be impactful as all attendees were guaranteed a job interview.

The budget monitoring reports were **noted** and it was **agreed** that consideration would be given to an appropriate approach to approval of subcontracting to ensure responsiveness and flexibility.

F24/19 Agenda Item 5 – Student recruitment update

The Group Director of Marketing and Business Engagement presented her circulated report providing an update on student recruitment. She clarified that current data showed a positive position when compared to 2023. Higher Education recruitment continued to be challenging but the group was exploring innovative approaches, including a ‘pay as you go’ model and a ‘myth-busting’ event. Apprenticeship recruitment was slightly below target but it was hoped that this position would improve further by year end. The Group Director of Marketing and Business Engagement had recently taken over responsibility for the Business Development team and was taking a ‘back to basics’ approach, ensuring clear accountability across the team. A governor highlighted that her employer had recently selected Etc. as a provider of choice for apprenticeships due to the high quality of service.

[REDACTED] Teams were working hard and innovatively and were confident that targets would be achieved. In response to further queries, it was highlighted that the new NETA facilities were expected to be a draw for students in future years. It was also highlighted that applications for scaffolding and commercial provision were very positive.

Governors recognised the particularly strong recruitment to Prince’s Trust provision. It was clarified that this reflected the high performance of the delivery and marketing support teams in this area but also the national increase in students dropping out of employment, education or training (NEET) and wishing to return mid-year. There was also a lack of other, similar provision due to cessation of funding such as the European Social Fund (ESF).

Governors **noted** the update.

Agenda Item 6 – 2024-25 budget development and financial forecasts (including funding allocations)

F24/20 6.1 – Funding Allocations 2024-25

The Chief Operating Officer presented his circulated report outlining funding allocations from the main sources of public funding for 2024-25. Confirmation of funding allocations from devolved authorities was still awaited. In response to a query about the potential for new opportunities or growth areas as a result of the Adult Skills Fund, the Chief Operating Officer clarified that this would depend on how funding was utilised by the Tees Valley Combined Authority.

Governors **noted** the report.

F24/21 6.2 – Proposed subcontracting 2024-25 and proposed Subcontracting, Supply Chain and Fees Policy 2024-25

The Executive Principal RCC & NETA presented his circulated report outlining proposed subcontracting activity in 2024-25. The updated Subcontracting Supply-Chain Fees and Charges Policy was also provided for comments and approval. The Executive Principal reported that the Etc. had now received confirmation from the North East Combined Authority (NECA) that it had been included on its delivery framework but had not been allocated funding. NECA had requested a discussion with the group about grant funding but had given no indication about the potential level of this. [REDACTED] It was clarified that NECA was only allocating funding to providers within its borders and had issued only 25 delivery contracts; this contrasted with the Tees Valley Combined Authority (TVCA), which was willing to engage with providers from all areas. In addition, NECA was forming some exclusive subgroups with colleges, while TVCA treated all providers equally.

Governors:

- i) **recommended** approval of the parameters, with the partners stated, for proposed subcontracting activity in 2024-25, as detailed in appendix 1, to the FE Corporation. It was noted that these were maximum allocations;
- ii) **approved** the updated Subcontracting Supply Chain Fees and Charges Policy.

F24/22 6.3 – Draft revenue and capital budgets and financial forecasting (College Financial Forecast Return)

The Chief Financial Officer presented the proposed draft budget for 2024-25. She clarified that further work would be undertaken in preparation for Corporation approval, but no change to the bottom line was expected. Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) were [REDACTED] % for the 2024-25 budget, against a target benchmark of at least 5%, and pay costs were [REDACTED] %, which was felt appropriate in a year in which an Ofsted inspection was anticipated. Forecasts for 2025-26 were at a higher level, with EBITDA at [REDACTED] % and a slightly reduced pay cost to income ratio.

Governors noted the proposed pay award for 2025-26 was showing at [REDACTED] % and asked whether this was sufficient. Governors also asked whether consideration had been given to

differentiating pay awards, with the lowest earners given a higher percentage of pay award. It was reported that the budgeted pay award was provisional and any final pay award would take account of any recommendation from the Association of Colleges (AoC). The pay claim submitted by unions for 2024-25 was for a 10% pay award, so unions were not expected to accept the proposed 2024-25 pay award of [REDACTED] %. While the benefits of a differentiated pay award were recognised, it would be important to ensure careful consideration and implementation; a lump sum payment in a previous year had not been received well by all staff as this had impacted on benefits payments. In addition, the rising national minimum wage was eroding differentials at the lowest level.

Governors discussed the impact of pension costs and suggested an approach to the pension scheme administrators to discuss accrual rates; it was suggested that the AoC's Deputy Chief Executive, Julian Gravatt, could support with this. The Chief Financial Officer clarified that the group had received funding of £[REDACTED]k to cover the increase in Teachers' Pension Scheme contributions but a small amount of the increase remained unfunded. It was also highlighted that the Teesside Local Government Pension Scheme was recognised as one of the healthiest schemes nationally with a relatively low contribution rate of 15.7%. It was noted that some colleges offered support staff access to the National Employment Savings Trust (NEST) scheme, to reduce costs, but this was not a route that the Etc. was actively considering at present.

Governors asked whether the group was confident that the anticipated surplus of £[REDACTED]k would be achieved, [REDACTED] The Chief Financial Officer confirmed that thorough business planning had been undertaken and there had been clear communications to staff about the importance of ceasing any unprofitable delivery at an early stage in the year. Income from interest as a result of the cash held for capital projects would provide a two year windfall. The outcomes of the general election in July 2024 were also likely to impact on college budgets.

Governors **agreed** to recommend approval of the draft revenue and capital budget for 2024-25 and financial forecasts 2025-26 to the FE Corporation.

Governors were also advised of a decision taken by the Corporation Chair under Chair's Action [REDACTED] Governors supported the decision but stressed that this information should have been shared with the Finance, Capital and Resources Committee in advance of the meeting.

The decision under Chair's Action was **noted** and it was **agreed** that the detailed information in respect of the utility contracts would be shared with Finance, Capital and Resources Committee members and that a written report would be provided to the FE Corporation outlining the Chair's action, [REDACTED] Members stressed the importance of ensuring clear and timely information was provided to governors.

Capital and Facilities Issues

F24/23 Agenda Item 7 – Digital Transformation Update

The Chief Operating Officer presented the circulated Digital Transformation Update. Governors asked whether development of a centralised data warehouse would resolve issues reported by staff governors in respect of multiple data input. The Chief Operating Officer clarified that work was ongoing to ensure systems were better joined up but there was no quick resolution. In

response to a query about benchmarking data, the Chief Operating Officer clarified that this was the best available comparative data as there was no compulsory digital survey. Governors highlighted feedback from staff at a recent Governor Workshop about students' preference for Artificial Intelligence (AI) and Virtual Reality (VR) technology when developing soft skills and were interested to note that this was reflected in survey outcomes. The Chief Executive reported that as part of its outreach work with local schools and colleges, Eton Star, the organisation setting up a new free school sixth form in Middlesbrough, had offered Etc. access to a range of online core skills modules looking at topics such as employability and UCAS applications. The Etc. Operational Plan for 2024-25 made provision for pilot schemes using these new resources.

Governors **noted** the report, confirming that this was comprehensive and helpful and **agreed** that regular Digital Transformation updates should be provided to the committee.

F24/24 Agenda Item 8 – Major capital projects decisions / update

The Chief Operating Officer presented the circulated report providing an update in respect of major capital projects and highlighted the following:

NETA relocation

Planning permission for the enabling works had not yet been granted as sign off in respect of the flood risk was still awaited but these works were expected to have a maximum cost of £[REDACTED]. It was proposed to enter into a contract for the enabling works on receipt of planning permission.

It was anticipated that the preferred contractor for the main NETA relocation works would be selected by the end of June 2024 and works would formally commence in November 2024. Members were asked to consider agreeing that the group should enter into a Pre-Construction Services Agreement (PCSA) with the selected contractor for a sum of up to £[REDACTED]k to enable detailed design and cost work. This sum would be included within the overall contract cost.

All Access Academy

The All Access Academy project was progressing in line with anticipated timescales and budget.

Billingham Hub

Plans for the Billingham Hub, to be funded by Stockton Borough Council and the Football Foundation, had changed substantially with a smaller level of investment and all capital investment to be made on council-owned land. As a result, there would be a separate changing area building and no changes made to the artificial grass pitches. This significantly reduced the legal complexities of the project but the group would still need to agree contracts around access / easement over Etc. land and use of the Bede car park. Legal costs were anticipated to be around £[REDACTED] k. Consultation on the project was currently in progress and anticipated completion was spring / summer 2026.

Governors **noted** the report and **agreed** to the group:

- i) completing a contract with Britcon for up to £[REDACTED] (subject to planning approval and a final contract sum) for completion of the NETA enabling works;

- ii) entering into a Pre-Construction Services Agreement (PCSA) with the short-listed contractor (via the Procurement Partnership Framework) for a sum of up to £[REDACTED]k to enable detailed design and cost work for the NETA main works.

F24/25 Agenda Item 9 – Infrastructure and facilities update

The Chief Operating Officer presented his circulated report updating members on additional infrastructure developments and highlighted the following:

- The group was no longer seeking external premises to accommodate support staff and the SRC 2 building would be used for temporary displacement of staff teams from early July. This would enable work in the SRC 1 building during July and August to create two IT rooms and upgrade the Admin Workroom to incorporate meeting spaces and hotdesking facilities. Staff teams would move back into SRC1 or to their permanent base in Redcar and Cleveland College (Marketing and HR) ahead of the handover of the SRC2 building in October 2024 to allow the NETA works to commence.
- A new science lab was being developed at Bede to cater for demand and rectify issues with the existing science labs. Governors were asked to agree a letter of intent for this work, as costs exceeded the Chief Executive's authorisation limit.

Governors were also advised that seating in the Stockton Riverside College theatre was being replaced and lighting and sound equipment upgraded. Costs were included in the capital budget as agreed under Agenda Item 6.3 at this meeting.

Governors **noted** the report and **approved** the issuing of a letter of intent for the completion of the Bede science laboratory works.

F24/26 Agenda Item 10 – Capital Programme review

The Chief Financial Officer presented the circulated report providing an evaluation of the 2021-22 capital programme and a breakdown of capital investment at Redcar and Cleveland College since the point of merger. She highlighted growth in both 16-18 student numbers and apprenticeships at Redcar and Cleveland College, evidencing the positive impact of the capital investment. Governors commended the impressive investment programme throughout the group and asked whether Etc. was more successful in attracting grants than other local colleges. The Chief Operating Officer clarified that analysis indicated that Etc. had received a higher level of grant funding support than the national average and the group had undertaken significantly more capital work than some neighbouring colleges. However, other local colleges, including Middlesbrough College, had received significant capital support from the Department for Education and Tees Valley Combined Authority as well as Town Deal funding.

Governors **noted** the report.

Policies and procedures

F24/27 Agenda Item 11 – Financial Regulations

The Chief Financial Officer presented the updated Financial Regulations and clarified that the updates reflected recent staffing changes. The Regulations would be further reviewed following introduction of the new finance system and centralisation of the procurement function. In response to a query about the new finance system, she clarified that the group would continue to use the same provider but the new system was cloud-based. Governors stressed the importance of ensuring checks and balances when introducing a core central system and the Chief Financial Officer confirmed that the Finance Manager was leading a project team to ensure a smooth handover. Governors supported the Chief Financial Officer's proposal that an audit review be undertaken post implementation to check the integrity of the data.

Governors

- i) **agreed** to recommend approval of the proposed amendments to the Financial Regulations to the FE Corporation and recommended further changes to reflect the appointment of a Deputy Chief Executive from 1 July 2024;
- ii) **requested** that an update on the process for introduction of a new finance system be provided to the next meeting of the committee.

F24/28 Agenda Item 12 – Tuition Fee Policy

The Chief Operating Officer explained that the Tuition Fee Policy was refreshed annually; there were no fundamental changes and the document confirmed that published funding rules took precedence over the policy.

Governors **agreed** the Tuition Fee Policy for 2024-25.

F24/29 Agenda Item 13 – Learner Support Funding

The Chief Operating Officer presented the updated Learner Support Fund Policy and highlighted that the college meals allowance had been increased but there were no other major changes.

Governors **agreed** the Learner Support Fund Policy for 2024-25.

Closing Items

F24/30 Agenda Item 14 – Any Other Business

An additional item of business, utilities contracts, had been considered under Agenda Item 6.3. There were no further items of additional business.

F24/31 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 Financial Regulations (Item 11) and policies agreed under agenda items 12 and

13, which would be published in formal form. Minutes of this meeting would be made available for public inspection following committee approval.

F24/32 Agenda Item 16 – Dates, times and venues of future meetings

Governors **agreed** the following meeting dates and times for 2024-25:

- Thursday 3 October, 5.30 pm
- Thursday 21 November, 3.30 pm
- Thursday 27 March, 5.30 pm
- Thursday 26 June, 3.30 pm

It was also **agreed** that all meetings would be held at Stockton Riverside College, with Teams access as needed.

F24/33 Agenda Item 17 – Meeting Effectiveness and Key Themes

Meeting effectiveness

The effectiveness of the meeting was discussed and the following noted:

- Governors had challenged management in relation to apprenticeships and recruitment numbers
- There had been in-depth discussion concerning subcontracting
- There was a good balance of contributions from management and governors

Strategic risks

Strategic risks relevant to the committee were discussed:

[REDACTED]

Governors recognised assurance had been provided on Strategic Risk 1, through reports looking at projected outcomes, updates on Business Planning/Performance Review Period 9 and pay awards. Assurance in respect of Strategic Risk 3 was provided via reports on capital works. In respect of Strategic Risk 2, Business Resilience, governors had received assurance around IT developments but this risk did have a broader focus. It was noted that the risk score of [REDACTED] reflected all elements of business resilience and that the Audit Committee had reviewed cyber resilience arrangements at Etc. in detail. Members also noted that discussion at this meeting had provided assurance about protection of the organisation's reputation, including in respect of NETA student numbers.

Governors **agreed** that adequate assurance had been provided on the controls in place and that the target and net risk scores were appropriate.

Key themes

The following key themes were identified:

- [REDACTED]
- Generally positive position for student recruitment in 2023-24, particularly in relation to Prince's Trust recruitment; challenges with recruitment [REDACTED] were being addressed with a range of approaches, including 'back to basics' and innovative offers

- Detailed consideration of the 2024-25 budget, particularly the impact of the North East Combined Authority declining a funding bid from the group for bootcamps, funding allocations, potential pay awards to staff and the importance of early decisive action to address poorly recruiting courses; recommended proposed maximum subcontracting limits, revenue and capital budgets for 2024-25, and financial forecasting to 2025-26 for approval by the FE Corporation
- Noted action taken by the Corporation Chair to agree to renew existing energy contracts in order to achieve substantial savings over life of contract, with potential for a claim in respect of breach of contract; importance of ensuring governors received timely information about key issues was stressed
- Reviewed progress on major capital projects and agreed to enter into a contract with Britcon for up to £1.3m and to enter into a Pre-Construction Services Agreement for a sum of up to £180k to enable detailed design and cost work in respect of the NETA relocation project; additionally noted revised plans for Billingham Sports Hub, with significantly reduced legal complexity and risk for the group
- Noted other planned capital works including: new science lab at Bede; renewal of theatre seating, lighting and sound; renewal of support staff spaces to facilitate NETA relocation and associated staff displacement; and undertook review of impact of 2021-22 capital programme; governors acknowledged the positive impact of capital developments across the group, with a significant proportion of external funding received
- Digital transformation update – governors acknowledged the benefits of technology for the student experience;
- Approval of Tuition Fee and Learner Support Fund Policy and recommendation of Financial Regulations

The meeting ended at 7.30 pm

Approved at a meeting held on 3 October 2024