



FINANCE AND GENERAL PURPOSES COMMITTEE

FRIDAY 22 OCTOBER 2021

Report: Minutes of the meeting held on Friday 17 September 2021

Author: Clerk

Action: Approve

Status: Open

Present: Martin Hedley (Chair)
David Alexander (Principal and CEO)
Robin Bailes
David Brind
Gareth Edmunds

In attendance: Jeremy Cook (Deputy Principal: Finance & Resources)
Ivan Jepson (Director of Business Development & Planning)
David Keetley (Financial Controller)
John Taylor (ESFA)
Chris Toon (Deputy Principal: Curriculum & Quality)
Sally Cooper (WBD, Clerk)
Suzanne Clark (Minutes)

F/048 Chair's Welcome, Apologies and Conflicts of Interest

The Chair welcomed everyone to the meeting. No apologies were received.

No conflicts of interest were declared at the start of the meeting and members were reminded to declare any conflicts that arose during the discussions in the meeting.

F/049 Minutes of the last meeting dated 30 June 2021

The minutes from the Finance and General Purposes Committee meeting on Wednesday 30 June 2021 were agreed as a correct record.

F/050 Matters Arising

It was confirmed that the minutes from the meeting on 28 May 2021 had been updated as requested.

As part of the informal session taking place after the meeting, committee members would discuss the format of management accounts going forward and the inclusion of scenario modelling.

An update on property and the estates strategy will be considered at the next meeting in October 2021.

The Deputy Principal: Curriculum & Quality confirmed that the College's data protection policy had been shared with colleagues. There will be further discussion at the next meeting in relation to this.

F/051 2020/21 Financial Year End Update

The report was presented by the Deputy Principal: Finance and Resources and was accompanied by a PowerPoint presentation (held on file).

In response to a question from a member, it was confirmed that the increase in in-year 16-18 funding was an in-year exceptional item. The ESFA accepted business cases from a number of College including Gateshead to fund growth in year rather than through the lagged methodology. **THIS ITEM IS CONFIDENTIAL AND NOT FOR PUBLICATION.**

The Chair questioned whether the pay savings reported had impacted on the College's delivery strategy. The Deputy Principal: Curriculum & Quality confirmed that, operationally, the College has continued to respond to demand and there has been no negative impact.

In response to a further question, it was confirmed that the College had received some COVID support funding. **THIS ITEM IS CONFIDENTIAL AND NOT FOR PUBLICATION.**

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The delivery threshold for AEB plays a key role in the final outturn position and it was reported that there could be some further movement in relation to this. **THIS ITEM IS CONFIDENTIAL AND NOT FOR PUBLICATION.** The year-end actuals and forecasts are based on a worst-case scenario. The ESFA representative outlined that the business case process has 2 specific eligibility criteria. The first is to consider local circumstances with the second being to look at the potential consequences of the ESFA recovering the funds and whether this has the potential to cause financial hardship for the College. The business case needs to be submitted by the end of October. It was highlighted that the process is focused on recouping costs that the ILR claim was unable to deliver. A decision on the business case will be communicated by 15 November 2021 to ensure that the position is known prior to the sign off of the College's financial statements.

The Chair highlighted that remaining as a standalone organisation was very much a success which should be celebrated.

The Chair noted that the report outlined changes in approach and improved teamwork at executive team level. The Chair asked the team for their view on what they perceive being the major changes and how this can be further developed in the future. The Principal & CEO noted that it was naturally challenging for newer members of the team to compare the current working relationships to previous arrangements within the College. The Principal & CEO has looked to ensure that executive meetings and dialogue is regular and that communication is intuitive. Committee papers are being shared in draft as part of executive meetings to give clarity across the Executive Team. This is giving additional transparency and allowing other team members to have understanding and also contribute where necessary, working as an effective team. Recent executive meetings have been themed and have so far considered a range of matters including strategy, planning, IT, apprenticeships and risk. The Deputy Principal: Curriculum & Quality agreed that the new executive were working well together. The Chair recognised that this had potential to have an effect on the culture in the organisation more broadly and suggested that costs could be allocated to facilitate this development. The Principal & CEO acknowledged this. He added that in a recent strategy development session, one of the items the team had considered was the College's values and the language used. The values should underpin everything and this is a topic that will be included in the Board Autumn Conference.

A member commented that he would like to see a clear link to curriculum, rather than only the financial data, so that the committee can consider the impact on learners. The Principal & CEO highlighted that the detailed management accounts include a more detailed level of contribution analysis. There was a meeting of the Curriculum and Quality Standards Committee earlier in the week where initial data on student performance for 2020/21 was shared. This data will be finalised in the coming weeks and will be shared as part of the Board Autumn Conference. This should help give members clarity on the link between finance and curriculum, including spending in different areas and resulting outcomes. Currently, learner outcomes are very strong and success data is over 90%. The member added that it would be interesting to understand the levels of improvement that could be attained depending on investment levels. Another member advised that the committee have previously had discussions with the team and this is in development. The Deputy Principal: Curriculum & Quality stated that despite the recent challenges, the College's approach to delivery has not changed. There continues to be strong group sizes of approximately 17 learners per class. It was highlighted that the curriculum areas have very different contribution levels depending on the level of resource required for delivery. A member added that there was potentially a requirement to look at curriculum and future investment as skill set requirements change. The Principal & CEO indicated that he was very keen to have dialogue around the changing landscape with the Board.

The report was noted.

F/052 2021/22 Financial Update, as at 31 July 2021

The report was presented by the Deputy Principal: Finance & Resources and Deputy Principal: Curriculum & Quality and was accompanied by a PowerPoint presentation (held on file).

The Deputy Principal: Finance & Resources confirmed that as the surplus for 2020/21 is in excess of when the budget for 2021/22 was approved, the data will be updated. The data will also be updated to reflect any required repayment to the ESFA.

In response to a question from a member, the Principal & CEO advised that there is a scheme of delegation in place. The Deputy Principal: Finance & Resources explained that in line with the committee terms of reference, the Executive Team can approve expenditure of up to £250k. Expenditure of £250k to £1m would need approval of the committee and anything over £1m would need Board approval.

A member suggested that as increased pension costs is an item out of the College's control, and not an operational cost, this could be a separate line within the budget, to enable members to more accurately understand the College's performance. The Deputy Principal: Finance & Resources shared his understanding that pension costs would be included in measuring the College's financial health but indicated that he would check this. The member felt that a separate line would assist with governors understanding of the budget.

A member indicated that he was interested to see the correlation between partner costs and direct delivery and asked whether this had the potential to impact on staffing costs. The Deputy Principal: Finance & Resources advised that for partnership activity the staffing costs are met by the subcontractor. The College has a relatively small number of staff who are involved from a contract management perspective. The College retains 20% of the funding which covers the cost of contract management. The College's intention to reduce the level of subcontracting provision in coming years in line with the ESFA's policy that subcontracted provision should be reduced to less than 25% of a College's overall delivery over the next 2 years.

The Deputy Principal: Finance & Resources reported a delay in the commencement of external audit work which is disappointing. Following discussion there has been an agreement to bring the agreed start date forward by 1 week. The Deputy Principal:

Finance & Resources stated that he is confident that the College's finance team are able to complete the work needed to prepare the financial statements within the required timeframes. The Chair of the Audit Committee has been made aware of the delay and of the discussions that have taken place with the external audit team.

A member highlighted the importance of scrutiny and regularity asking whether there will be an element of scrutiny linked to the risk management process. The Deputy Principal: Finance & Resources advised that there is a considerable piece of work to do on risk management and the team will be looking to work with the committee and the Board in developing this. The member indicated that in his experience, assessing effectiveness of control alongside risk management has given trustees confidence in the mitigation of risks. The Deputy Principal: Finance & Resources reported that the College had recently appointed a new internal audit provider. He was very positive about the appointment of Wylie and Bisset who will support work around risk management. He is expecting to receive a good level of support on the development of risk management and also gain some independent assurance.

A member asked for a copy of the slides used for the presentation to be shared.

The Deputy Principal: Curriculum & Quality gave an update on learner recruitment for 2021/22 indicating that the position is currently very dynamic. There are a number of income lines that the team are working on currently.

It was advised that growth forecast for 16-18 full-time provision has not materialised to date. Current numbers are more in line with 2020/21. It has mainly been within construction and early years where growth has not materialised. Demand in these areas was very strong in January and February and the methodology used to predict growth was based on historic trends. However, there are a number of young people who have gone on to do A levels with other providers instead. There is therefore potential that these learners may return to the College to enrol on vocational programmes later in the year. In response to a question from a member, it was confirmed that the effect on contribution would be negligible as there would be no need to deploy resources that had been planned to deliver growth. The member asked for confirmation of the expectations on retention and the interventions in place to support learners. The Deputy Principal: Curriculum & Quality outlined that IAG offered to learners is not simply based on their predicted grades. There has been a lot of work undertaken to ensure that learners are on the right programme. The College has received some catch-up funding which the team are looking to deploy. Already there have been some groups identified where support is needed. In terms of retention, the Deputy Principal: Curriculum & Quality outlined that he would expect to lose around 7% of the current cohort with around 3% before day 42. This is based on historical trends where withdrawal data has been fairly static for a number of years. It is expected to achieve a position of 2820 full-time 16-18 learners.

Enrolment on to full-time adult programmes is slightly higher than expected, currently at 20 over plan. It is expected to perform at plan or slightly over across most markets with part-time adult provision. SORA have also had strong enrolments. Adult learner loans are looking challenging currently. The team are doing some additional marketing and recruitment in this area as there are approximately two fewer groups on the College's access to HE programmes. The team are working to understand the reason for this. Higher education numbers are slightly down but it is expected that this will recover. The College has not been able to deliver the Foundation Degree in Health and Social Care this year due to poor recruitment. In response to a question from the ESFA representative, the Deputy Principal: Curriculum & Quality confirmed that the shortfall in access enrolments equates to around 30 learners.

Apprenticeship enrolment is currently strong with 50 enrolments over the predicted starts at this point in the year. Over 50% of the new starts are between 16-19, which is extremely positive. Recruitment is currently strong in automotive, construction and early years. Recruitment onto leadership and management programmes is slightly behind

however UKPN and Hitachi are planning a later start. The team will be working with Essity with a view to making engineering apprenticeships more attractive to young people.

Action: Deputy Principal: Finance & Resources to investigate whether it is possible to report pension costs separately.

Action: Presentation slides to be circulated.

The report was noted.

F/053 Financing Arrangements Update

The report was presented by the Deputy Principal: Finance & Resources.

A member indicated that it would be useful for the committee to have a table of the covenants, based on the 2022 budget. He felt that this would give clarity to members, and an understanding of the formula. It would also help to identify where improvements would be needed if covenants were at risk of being breached. The Deputy Principal: Finance & Resources agreed to provide this.

The member asked whether there are any remedies in place if the College were to become close to breaching covenants. The Deputy Principal: Finance & Resources indicated that whilst the College would be at the behest of the bank and / or ESFA, it would be expected that they would take a sensible view if the College was continuing to make payments in full and on time.

The member questioned whether there were any plans to negotiate with Barclays to introduce a ratchet mechanism in relation to charges. The Deputy Principal: Finance & Resources welcomed the suggestion indicating that he would take this back to the bank.

The Deputy Principal: Finance & Resources outlined that the new Barclays covenants have been set based on financial information provided by the College. It is not expected that there would be a breach within the first 2 years. The ESFA have applied a similar measure however they do take a slightly different approach. The cashflow projection assumes that the business case for AEB will be unsuccessful. However, if the business case is unsuccessful, such that the College is required to pay back a proportion of its AEB, this puts the College at risk of breaching its forward-looking ESFA covenant. A member asked whether the potential clawback would be counted as debt service or repayment of operating cash. The Deputy Principal: Finance & Resources advised that the clawback suppresses the amount of cash the College has to repay debt, which is where the risk lies. The member asked whether this could be counted as an exception for which a business case could be made. The Deputy Principal: Finance & Resources indicated that there are quarterly meetings and regular dialogue with ESFA colleagues giving a number of opportunities to have these discussions. The ESFA representative confirmed that the AEB business case would be judged on its merits. The member felt that it would be useful, on a monthly basis, to test the covenants against the College's current forecast. It was suggested that this could be added to the KPI information included in the monthly management accounts. The Principal & CEO confirmed that this will be kept under review.

Action: Deputy Principal: Finance & Resources to provide members with a table overview of bank covenants.

Action: Deputy Principal: Finance and Resources to speak with the bank about the possibility of ratcheting down the covenant terms.

The report was noted.

F/054 College Contracts Update

The report was presented by the Deputy Principal: Finance and Resources.

The Principal & CEO recorded his appreciation for the work of Steve Campion, Financial Advisor, over the College's recovery period and for his work in relation to contracts. The Chair was supportive of the Principal & CEO's comments and asked that the committees acknowledgement of this be noted.

A member advised that in addition to the information provided in the report, it would be useful to see who is responsible for each of the contracts. The Deputy Principal: Finance & Resources advised that the contracts register will provide this detail. Another member commented that this was a very good piece of work. He suggested that in time information on any community benefits arising could be added, along with information on not just how long the contract has been in place but overall lifespan of engagement. This would highlight if there was any risk relating to familiarity. The Deputy Principal: Finance & Resources confirmed that the register gives visibility which will allow contract management approaches to be reviewed and current supplier arrangements tested. The Principal & CEO recognised that the differential between contract length and overall engagement is important. There is a need to consider this as part of the contract renewal process.

The report was noted.

F/055 Business Development Activity and Outcomes – 2020/21 and 2021/22

The report was presented by the Director of Business Development & Planning and was accompanied by a PowerPoint presentation (held on file).

The Director of Business Development & Planning confirmed that the slides would be circulated after the meeting.

A member asked whether there were any visible trends in terms of changes in working practices within industries and what employers are looking for. The Deputy Principal: Curriculum & Quality advised that there has been a change in behaviours in schools and colleges. The College's focus is very much on getting learners work ready. There is a team of staff in the College who support this. The Director of Business Development & Planning added that there was a cultural piece of work needed with employers. Employers are now rethinking their requirements and looking for learners whom they can develop. The team are expecting to see this change across other sectors.

Following a question from the Chair, the Director of Business Development & Planning acknowledged that some industries can be slow to change. It is felt that there is a role for the College in working with these employers and this should feed into planning. The team are looking to shape and change programmes for future needs. The Deputy Principal: Curriculum & Quality highlighted that recruitment is very interesting. There has been a significant demand recently across all aspects of digital provision. The College has been working with companies across the sector to meet this demand. Initially employers were looking to recruit individuals with significant existing experience. However, it is recognised that employers need to take on responsibility for training, to help shape the staff of the future. A member questioned whether there is an intermediate step needed to educate employers to understand future opportunities and staffing requirements. The Deputy Principal: Curriculum & Quality suggested that there is a need to share case studies, highlighting the work in the digital sector as an example, with employers.

Another member asked how learners were being encouraged to move away from traditional vocations and into new industries. The Deputy Principal: Curriculum & Quality outlined that the College is currently offering some innovative programmes, using the

PlanBee course as an example, where learners rotate around different aspects of the industry. Work placement and work experience has also had a very positive effect. The importance of looking to break down these barriers was recognised. The Director of Business Development & Planning added that the College is also looking to use employers to influence and inform young people. The member suggested that there was potentially a role for the North East of England Chamber of Commerce (NEECC) and other parties to communicate key messages to future learners. The Principal & CEO indicated that this will be covered in more detail at the Board Autumn Conference later in the month. NEECC's policy director will be involved in one of the sessions as part of the conference.

Action: Presentation slides to be circulated.

The report was noted.

F/056 Risk Register

The report was presented by the Deputy Principal: Finance and Resources.

It was reported that a refresh and rethink of the College's approach to risk management is needed. This is seen to be a priority area. The current register is being shared with all committees as it stands rather than only sharing the risks appropriate to the individual areas of oversight.

A member indicated that there needs to be clarity that the risks are included in the audit scope. This will give members assurance that mitigations are effective. Members need to see an audit assessment on how effective controls are. The Deputy Principal: Finance & Resources confirmed that the team will be working with internal auditors to enhance and add value to the process.

In response to a question from the Chair, the Deputy Principal: Finance & Resources advised that the risk register presented was preceded by a very long register which was not felt to be of value. The current version was introduced by Steve Campion. The team feel it is important now to look to do more. The Chair commented that in some areas the wording in the register is a bit ambiguous and equivocal. Clarity is needed on what the real risk is and how it is tested, in order for governors to be able to effectively challenge whether the scope of the risk is correct and whether it is being effectively mitigator. The register should therefore accurately describe the risk.

The Principal & CEO recognised that this is very much the start of a journey. There is a need to refocus the risks. The team have updated the mitigations and are aware that a further piece of work is needed. The register will be reviewed in detail as some risks will have changed in nature. Some risks may need to be closed off and there may be some new risks to be added. It may be worthwhile to have a board session specifically focussed on risks and present the reformatted risk register at that session.

The report was noted.

F/057 Any Other Business

There was none.

F/058 Date of next meeting

The date of the next meeting was confirmed as Friday 22 October 2021 at 10.00am.

The meeting was immediately followed by a less formal seminar focused on future development initiatives.