

The Corporation of New College Durham

**Minutes of the Finance and Resources Committee
meeting held on 13 June 2023**

Present:

Stephen King (Chair)
Joy Brindle
Andy Broadbent
Christine Warren
Chris Patterson

Apologies:

Alison Maynard
Adele Dowson

In attendance:

Karl Fairley (Deputy Chief Executive)
Paul Bradley (Chief Finance Officer)
Bob Metcalf (Executive Director of Finance and Corporate Services)
Elaine Bonham (Executive Director of HR and Corporate Services)
Nik Whiting (Executive Director of ICT and Corporate Services)
Kimberly Stevenson (Executive Director of Estates, Facilities and Corporate Services)
Caroline Winter (Head of Governance & Corporation Secretary)

Action

23/31 Chair's introduction

The Chair welcomed everyone to the meeting and reminded members to declare their interests in any item of business to be discussed at the meeting. No interests were declared.

23/32 Apologies for absence were received from Alison Maynard and Adele Dowson.

23/33 Minutes of previous meeting

The minutes of the meeting held on 10 May 2023 were agreed as accurate and signed by the Chair.

23/34 Matters arising

23/20 – arising from 23/11 - Gender pay reporting – the issue would be raised at the next regional HR Directors meeting to discuss the approach in other colleges.

23/25 – Artificial Grass Pitch - the wider benefits of the project as discussed by the Committee at the previous meeting were added to the Business Case before consideration by Corporation.

23/35 Financial Monitoring to 31 April 2023 (Paper B1)

Bob Metcalf presented paper B1, which provided the financial position of the College at 30 April 2023. Members noted the same monitoring report had been considered at the previous Corporation meeting.

The forecast surplus was £921,000 at the end of April and as the May accounts were due to be finalised, Bob advised that there was no anticipation of a significant change in the position. Members noted the additional allocation of North East LEP (NELEP) funding for bootcamps had been included in the figures and there was potential to bid for further bootcamp funding in the future. Staff contingency was £296,000 which was largely due to the number of vacancies. Non-staff contingency was £292,000 with £70,000 earmarked to be spent before the year end.

Members sought clarification on whether the additional adults funding was limited to the current year however Bob confirmed that the ESFA were reviewing funding rates and that the uplift would be applied across all subject areas moving forwards with an additional 20% for priority areas. This would be paid at end of year after delivery, after which fee rates should increase. Whilst this was positive news, the timing had been unhelpful in terms of planning delivery.

In response to a member's question, Bob confirmed that the additional £529,000 bootcamp funding had contributed to the surplus position and therefore any lag in receiving this would slightly reduce the surplus. Due to the proportion delivered by partners the contribution would be between 10-15%. The staffing contingency was also reflected in the projected surplus with an expectation that only £20,000 of this would be spent before the end of the financial year. The Principal advised that a meeting had been arranged with the NELEP to obtain feedback on the recent unsuccessful bootcamp bid.

In response to a member's question, Bob confirmed the Access Fund referenced in the report was the fund considered in Paper B6.

Members noted the report.

23/26 Westfirst Financial Monitoring to 30 April 2023 (Paper B2)

Bob Metcalf presented Paper B2, the financial reports of Westfirst Limited to 30 April 2023.

Members noted the profit of £616 for the period and a net liability position of £4,161.

Members noted the report.

23/27 Draft Budget for 2023/24 & draft 2-Year Financial Forecast (Paper B3)

Bob Metcalf presented Paper B3, which presented the expected outturn position for 2022/23, the proposed budget for 2023/24 and a further year's prediction for 2024/25.

The draft budget had been developed on the basis of a detailed curriculum planning process and the following assumptions as set out in the report. 16-19 curriculum plans were based on recruitment of 2,549 learners in 2023/24, however the funding allocation was based on 2,498 students due to the lagged funding effect. The Adult Education budget was £2.280m with some funding still to be confirmed. Members noted the plans to over-deliver by £137,000, which was within the increased ESFA threshold. The budget included agreed contracts with the Tees Valley LEP, expected contracts from the North of Tyne Combined Authority and confirmed and assumed Bootcamp contracts similar to the current year. A small element of ESF income had been included in relation to contracts ending towards the end of the calendar year. HE income was based on recruitment of 620 learners, which was slightly higher than the previous year. Members noted CECOS and London School of Commerce (LSC) income of £9.7m was also included.

Bob highlighted that whilst the staffing budget made no provision for a pay award, it was planned to review this later in the year when there was greater clarity on the financial position. The staffing budget had increased by £875,000 primarily due to new posts and additional delivery costs. Vacancies over the last two to three years had caused a significant problem with staff forecasts significantly under budget. A £400,000 negative budget had been built into the budget to compensate for vacancies with the expectation of up to £750,000 savings from vacancies in the current year. Student transport costs were budgeted at £1.3m and would be considered in detail later in the agenda. Members noted increases in software licences as more staff logged onto the College network from home and £100,000 had been set aside for running costs at Promotion House in addition to the likely extended use of the marquee on campus.

Members reviewed the balance sheet position, which remained strong, but noted the significant expected fall in reserves due to the College's major capital projects. Cash reserves would be reduced to 7.067m by 31 July 2024, however the College would remain outstanding in terms of its financial health. Bob advised that there were a number of uncertain factors and members noted the sensitivity analysis outlining the areas that could challenge the key assumptions in the draft budget.

Members sought clarification in relation to regional funding through the combined authorities and NELEP and noted discussions were ongoing with Durham County Council to consider how the College could provide support as devolution arrangements progressed. In response to a member's question, Bob confirmed that the College took the same approach to a pay award each year as the budget was based on a number of assumptions, and the position would become clearer towards the end of Term 1. It was confirmed

however that the MTFP did make provision for increased staffing costs.

Members expressed concern in relation to income reflected in the budget that was not confirmed and sought clarification in relation to individual elements. Bob confirmed that there was a balance in including unconfirmed income however this had been prudently estimated. Members queried the increase in apprenticeships and noted this was based on each area's individual assessment following applications received combined with students rolling forward to next year. This reflected the investment in the Business Development Unit and the employer engagement strategy but was still a risk area due to the current volatility of businesses. Members asked about the level of risk in relation to the LSC income and noted that whilst this was a prudent figure, the target also included income from the new partnership with CECOS. Members noted the discussions at senior management level with the LSC to address concerns over performance and that the College had emphasised the need for assurance that new processes were addressing current weaknesses before considering higher recruitment targets. Members sought clarification on how student transport costs to the College related to the Access Fund and for further information on the Promotion House costs.

Members requested that the report to Corporation clarified which funding had been confirmed and what was still pending, and Bob confirmed the report would be based on the latest information available at the time.

Members noted:

- the forecast outturn for 2022/23
- the proposed budget for 2023/24
- the forecast budget for 2024/25

and agreed to recommend that Corporation approve the initial budget for 2023/24 and the two-year financial plan which will be used for the College Financial Forecasting Return (CFFR) return due for submission at the end of July 2023.

23/28 Medium Term Financial Plan (Paper B4)

Paul Bradley presented Paper B4, the annual review of the Medium Term Financial Plan (MTFP).

Members reviewed the updates in relation to the national landscape, noting the ongoing impact of the pandemic and that this was the last year of catch-up funding, the rise in the Consumer Price Index, the fall of which was slower than OBR and Bank of England projections and that inflation remained high. A key development from a local perspective was the emerging devolution deal and move to a mayoral combined authority for the North East. Members noted the 5-year forecasted financial position including

reserves over the period, with depreciation arising from the College's major capital projects.

Paul advised that the purpose, principles and key themes of the MTFP were unchanged from the previous year. Members reviewed the projected 2022/23 outturn, the proposed budget for 2023/24, the current position on student growth, investment in key priorities, the approach to long-term cost prevention, efficiencies, capital expenditure, risk management and reserves.

Members discussed the reserves position and noted the current policy would be reviewed in October. Members queried the level of reserves and sought confirmation that this related to 'free' reserves'. The need to continue the investment in the College to enhance the student experience was emphasised and the intention to review the policy was welcomed. The College remained financially outstanding, however increased capital investment impacted on depreciation and ratios with modelling suggesting the potential to move into the 'good' category. A strategic discussion would therefore be required on the implications of expenditure that further reduced the reserves balance and members noted the level of flexibility the current policy of 15% had provided for the College to progress its current capital projects. Members recognised the benefit of a strong financial position as part of due diligence in competitive funding exercises and the need to retain a level of prudence.

Paul confirmed that the strategic review of the reserves policy would be brought to governors in October, coinciding with the return of tenders for the Artificial Grass Pitch, car park and works at Promotion House so there would be a clear position on the reserves balance.

Members noted the report and agreed to recommend that Corporation approve the Medium Term Financial Plan for 2023/24 to 2027/28.

23/29 Capital Projects Update (Paper B5)

Paul Bradley presented Paper B5, the Capital Projects update.

Corporation had approved the business case for the Artificial Grass Pitch and members noted that a community consultation meeting had taken place with local parish councillors the day before, in which the proposals had been positively received. Residents would be invited to view display boards on the project and encouraged to feed their comments to the external consultants. Members asked if the council had raised any concerns and Paul advised that some valid questions had been raised e.g. on lighting and EV charging but there were no areas that were not already being addressed.

Members noted the progress on The Hub, the Artificial Grass (4G)

Pitch Project and Promotion House.

23/30 Access Fund Policy 2023/24 (Paper B6)

Karl Fairley presented Paper B6, which proposed changes to the Access Fund Policy.

Karl summarised the proposed amendments including: establishing a clear link with the Student Engagement in Learning Policy which set out an expectation on student attendance and being up to date with their academic work, increasing the financial threshold to access support and establishing an upper limit of household income beyond which access would cease, and reducing the distance for eligibility to access the College travel scheme. Karl also updated in relation to the travel scheme that discussions were ongoing with local bus companies, however early indications were of an increase in charges of between 14% and 40%.

The College provided a free bus pass to all students living more than a specified distance from the College and with a household income below a specified threshold, through different schemes. It was also noted that the College was allocated government funding for the travel scheme, however the criteria to reclaim this funding required an individual assessment and proof of household income. Under the current Access Fund Policy, where no evidence was provided the pass would be funded by the College rather than via government-funded support. By amending the policy to require proof of income in all cases, the College would be able to maximise the support from the allocated government funding and maintain a sustainable supported travel scheme in the face of increased costs and administration.

Karl explained that additional information had been circulated to members in response to a member's request for further financial information and context to supplement the report. Members reviewed the additional spreadsheet, which set out a number of different forecasts based on the current access policy and the amended policy, in comparison to the position in the current year.

Members commented that the household income level threshold was not targeted at students in real hardship and Karl explained that the level was linked to the eligibility levels for Child benefit and the annual gross pay median for County Durham, and whilst these were useful external sources it was helpful to understand alternative perspectives on the financial thresholds. It was noted that transport was the greatest barrier to students accessing education and increasing the threshold would increase the number of eligible students. The intention was to ensure the scheme benefitted as many students as possible maximising the available government support, so that College resources could focus on supporting students in other ways. Members asked about the evidence that was required and commented that the scheme needed to give fair and equitable access for all students. Members

asked about the potential impact on students being able to ask for support and emphasised the need to ensure students understood the requirements to access available support and that this was communicated effectively in a way that the policy could be understood. The Principal confirmed that the College supported hardship claims beyond travel support in full in accordance with DfE guidance and that there was an event for prospective parents and students the following week in which the intention was to give clear guidance about the policy and how to access support. In response to a member's question the Principal confirmed that there was also an element of Adult Education Budget funding to support adults where required. Members queried the definition of 'high level' in terms of attendance and noted that the guidance was clear that financial support should not be used to increase student attendance.

Members sought reassurance on the implications of not providing the necessary evidence and noted that whilst there was a risk that the pass could be cancelled, this was a decision for the College and implementation of the policy would be reviewed and reassessed at the end of Term 1.

Members commented that the changes would result in a stricter policy which represented a strategic shift and potential risk in terms of competitiveness, but agreed there was a need for students to take some responsibility within the process and understand the refined message of supported rather than free travel. Members commented on other ongoing changes in transport funding and emphasised the need to maintain an overview of how this related to young people. Members reiterated that clear marketing and communication would be key in successfully implementing the changes and welcomed further updates to monitor implementation.

Members approved the proposed changes to the policy subject to amendment of a typing error on the mileage eligibility.

23/31 Workforce age profile and turnover (Paper C)

Elaine Bonham presented Paper C, which provided an overview of the College workforce age profile, potential departure of staff and issues and actions in managing staff turnover.

Members noted that benchmarking against the Association of Colleges national data set demonstrated that whilst there was a synergy in the age profile, the College had a higher proportion of individuals over 60 reflecting a similar picture over the last 5 years. Whilst the data suggested an older workforce, this was consistent with the nature of the work and need for experience which was often industrial or vocational. No school or department had an average age of over 60 although two schools had an average age over 50 as with the previous year. Whilst these areas had experienced recruitment challenges in recent years the situation had been more positive in the current year. Staff turnover

appeared to be reducing following a high level the previous year and compared favourably to the national position. Members noted the recruitment challenges outlined in the report and the range of strategies introduced and continued this year to ensure a workforce fit for purpose. Elaine advised that a workforce planning document was in development to support Human Resources and College managers.

Members welcomed the report and clear analysis which drilled into the key issues and provided assurance in having a clear plan to address immediate issues and long-term strategic planning for the future.

Members noted the report.

23/32 Health and Safety update (Paper D)

Elaine Bonham presented Paper D, the Health and Safety Report. Members reviewed the report, which presented a very positive picture. There had been no RIDDOR reportable accidents this year and there were no open liability claims against the College.

Members noted the report.

23/33 Strategic Monitoring update (verbal update)

Andy Broadbent gave a verbal update on the proposed approach to future monitoring of the College strategies and key performance indicators (KPIs).

Work was ongoing to look across finance, HR, estates, ICT and marketing activity and review all KPIs to assess which should be reported to the Committee and to remove measures that were not strategic and impact on the organisation's business. These measures would continue to be monitored by individual teams through operational plans.

It was proposed to use the members' training session before the July Corporation meeting to review and consider a set of strategic KPIs for future monitoring. Karl Fairley advised that in relation to the Finance and Resources Committee, a top level dashboard was in development that would be presented to each meeting with a view to driving the Committee's discussions. The dashboard would provide a snapshot in time and enable ongoing monitoring, supplemented by annual reports outlined in the Schedule of Business to provide supporting detail. The new approach would link KPIs, strategy, the dashboard/scorecard and meeting agendas/Schedule of Business. This would be reviewed over time but was expected to improve the Committee's strategic focus through a move to exception reporting, with narrative provided in areas of concern.

Members noted the verbal update.

23/34 Proposed Schedule of Business for 2023/24 (Paper E)

Members reviewed Paper E, the proposed Schedule of Business for the Committee in 2023/24.

Members asked that the volume of business between the May and June meetings was reviewed given the short time between meetings. Members also highlighted the need to consider the reporting of the sustainability agenda from a College-wide perspective.

CW

Members approved the proposed Schedule of Business subject to reflecting the issues discussed.

23/35 Any other business

None.

23/36 Date of next meeting: TBC

23/37 Annual Review of Committee Effectiveness 2022/23

Members were asked to complete a questionnaire in advance of the meeting. In addition to reviewing the summary of responses the following areas were discussed:

- Marketing had not received any oversight by the Committee and it was noted that updates to address this had been added to the Schedule of Business for next year. As a strategic area and significant cost to the College the same level of accountability and feedback should be applied as with other functions covered by the Committee's remit, although this should be from a strategic perspective rather than 'design by committee'.
- The Committee spent the correct time discussing the things it should with good examples being the review of the Artificial Grass Pitch business case at the previous meeting and the Access Fund Policy on the current agenda.
- More decisions should be delegated to sub-committees although the difficulty in determining which areas to delegate was recognised. Members welcomed the active recommendation to 'review and comment' on papers rather than to 'note'. The proposal to review the financial regulations and develop a scheme of delegation for financial and other decisions was noted.
- Review of capital proposals to support the advancement in curriculum provision, the scrutiny of corporate strategies and financial monitoring were highlighted as strong examples of the strategically important work of the committee over the last year, where reports had benefitted from robust challenge and discussion.
- The mix of skills among current members of the Committee was a strength and the need to retain this mix should be a key consideration in succession planning.

- Meetings should be timed around the needs and deadlines relating to the content of the Schedule of Business.

Signed.....**Date**.....