

The Corporation of New College Durham

**Minutes of the Finance and Resources Committee meeting
held on 19 June 2024**

Present:

Stephen King (Chair)
Andy Broadbent

Chris Patterson
Rhiannon Hiles

Apologies:

Joy Brindle

In attendance:

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

Action

24/31 Chair's introduction and starred items

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.

Members noted that this would have been the last meeting for Joy Brindle as her term of office was due to expire at the end of June. The Chair asked that the Committee's thanks be placed on record for Joy's contribution to the Committee and as its former Chair.

Members confirmed that they did not require any further discussion about the starred agenda item C2.

24/32 Apologies for absence were received from Joy Brindle.

24/33 Minutes of previous meeting

The minutes of the meeting held on 8 May 2024 (including confidential minutes) were agreed as accurate and signed by the Chair.

24/34 Matters arising

24/20 – Karl Fairley provided a further update on the ongoing dialogue with Durham County Council relating to its high needs funding application.

24/35 Marketing Update (Paper B)

The Chair reminded members that this was the second marketing update to the Committee having added these to the work programme this year, to ensure that Marketing as an area of significant spend for the College received the same oversight and support as other areas of activity within the Committee's remit.

Francesca Smith presented Paper B, which provided an update on admissions and applications for September 2024 and the summer recruitment campaign. Members were briefed on admissions data in terms of applications and offers in FE and HE, the core and HE focused media plans for the summer campaign and progress on activity undertaken in 2023/24 as outlined in the previous report.

Alison Maynard left the meeting at 4.21pm

Members discussed the challenges in HE recruitment and asked whether there were any insights to explain the position. Francesca advised that UCAS figures demonstrated that applications were generally in decline across the sector and that the key issue affecting what was an older demographic was the cost of living crisis and the financial challenge in funding a degree alongside the inability to take time out of work for study. The College was acting to try and buck the trend and was considering market research to understand the position in more detail and gain an insight on whether there was a need to revise the offer. The Principal explained that as a national issue, the College recognised that even maintaining current student numbers would be very challenging. Members discussed the position of its HE partners and noted that both CECOS and Oxford Business College (OBC) had different delivery as well as recruitment models including blended and weekend learning and so NCD was reflecting on potential learning from their approach. In response to a member's question about older learners and programme funding, it was noted that access to higher education was also a declining market but the College had funding it used to target adults with lower level skills needs working with the DWP to get unemployed people job ready. There were a range of different mechanisms to support adults below HE, but the College was also seeking to recover the deficit in numbers at HE level.

Members asked how the success of marketing efforts was defined and whether intelligence was available on the effectiveness of different channels in generating applications. Francesca explained the intelligence provided by the College's media buying partner and the variation in ability to track what was driving people to the NCD website. Digital media was the easiest to track with information down to advert level tracked through to the website, but this was much more difficult for large scale media with the example that for TV adverts it was only possible to show how many people had seen an advert. In response to a member's question about the core marketing message, Francesca confirmed that this was at

College-level moving to more detailed messaging when the individual journey reached the College website and only a small number of programmes were marketed at course-level over the summer.

Members commented that the report detailed a very comprehensive approach and felt that future updates would benefit from more of the detail provided by the media buyer to assist the Committee's understanding of impact reach. Members also asked that updates on reputation and branding activity were included in more detail in the next report. Members challenged the appropriateness of Whatsapp as a channel for engaging young people and suggested looking at possible alternatives such as Snapchat. Maintaining an overview of the overall marketing budget in this area was important for the Committee's understanding of the availability and use of resources in this area and in the context of future business cases considered by the Senior Leadership Team for additional spend.

The Chair thanked Francesca for a very comprehensive report.

24/36 Financial Monitoring to 30 April 2024 (Paper C1)

Bob Metcalf presented Paper C1, which detailed the financial position of the College to 30 April 2024.

Bob updated members on the projected surplus which had increased since the March position and advised that this was due to additional Office for Students (OfS) funding and increased income from the College's HE collaborations, although this had been partially offset by a reduction in ESF grants.

The finance team were now preparing the May accounts which would reflect the latest position on OBC recruitment, an increase in the adults forecast due to a combination of over-delivery to the permitted level, additional grant funding from both the Tees Valley and North of Tyne Combined Authorities and the latest ILR. Bob advised that a further increase in the surplus was therefore expected in May and again by the end of the financial year. Members noted the update on Bootcamp delivery but that the contribution from this work was relatively low with minimal impact if targets were not achieved. Members noted that any further changes to the financial position would relate to HE collaboration activity.

Members were briefed on one area of risk that was not yet reflected in the accounts, relating to the financial position of one of the College's partners in the North East Institute of Technology (NEIoT). It was noted that the Audit and Risk Committee had been updated on the position earlier in the week and the Corporation would be briefed in July with a paper outlining mitigation in respect of both the College and the NEIoT. In response to a member's question, the Principal briefly explained the contractual

arrangements between the NEIoT and individual providers and also the activity to ensure student protection.

Members noted the College's financial position as at 30 April 2024.

24/37 Westfirst Financial Monitoring to 30 April 2024 (Paper C2)

Members received and noted the Westfirst Limited financial reports to 30 April 2024.

24/38 Capital Developments - Update (Paper C3)

Paul Bradley presented Paper C3, which updated on the College's major capital projects. Members noted that completion of the works to the Construction Centre of Excellence was still anticipated to enable an August handover ahead of the new academic year.

Members noted the progress on the Artificial Grass Pitch and Car Park Relocation Project and the Construction Centre of Excellence.

24/39 Draft budget for 2024/25 & draft 2 Year Financial Forecast (Paper C4)

Bob Metcalf presented Paper C4, which presented the expected outturn position for 2023/24, the proposed budget for 2024/25 and a further year's prediction for 2025/26.

Members noted the 2023/24 forecast position as detailed in the previous financial monitoring paper before considering the 2024/25 budget setting process. Members were reminded of the lagged approach to 16-19 funding and noted the assumptions on the various income streams detailed in the report. In relation to expenditure, Bob highlighted the budget made provision for a pay award in 2024/25, before updating on the staffing budget, the revised establishment for 2024/25, the vacancies position and non-staff costs. Members noted the balance sheet position including assumptions on the College's capital projects and reviewed the sensitivity analysis on both the 2023/24 outturn and the 2024/25 budget. Bob confirmed that the budget was developed on the basis of current knowledge and the assumptions detailed in the report where there was a degree of certainty. One key area of risk was the potential over-recruitment of 16-18 year olds next year, and if this was significantly above curriculum plans it would mean a very different start to the year. Bob advised that the report was based on the April accounts and would therefore be updated before Corporation, based on the 31 May position.

The Chair commented on the thoroughness of the report, which demonstrated prudence and an awareness of the key issues impacting on the position and invited observations from the Principal and the Chief Finance Officer. Paul Bradley reiterated that a prudent approach was always taken in compiling the

budget, demonstrated by the gradual increase in the forecasted position over the year as greater certainty emerged in relation to various income streams. More controls on expenditure had been included, the provision for a pay award was an important element and internal delivery of adult education following the increase in staffing budgets would be key moving forward. The recruitment challenge was recognised, however indications at the current time were much more positive than at the same point last year. Paul explained that the surplus was predominantly delivered by HE partnership activity and it was acknowledged that the intention had always been to apply this to funding major capital projects.

Members commented that their expectations had been managed over the year and the current year's outturn reflected the position as anticipated. Looking ahead to the next two years, the contribution from HE partnerships would become significant. The Principal confirmed that the SLT had reviewed the draft budget in detail and challenged the assumptions. Whilst the approach continued to be prudent there were key risks around recruitment and delivery. A significant proportion of the current year's surplus resulted from one-off closure of ESF projects whereas the next two years would reflect the additional HE partnership work, and it would be important to remain aligned with the agreed strategy to invest in the estate in Durham.

The Chair highlighted a typing error in the recommendation in the report and that the Committee was being asked to recommend the budget to Corporation.

Members noted:

- the forecast outturn for 2023/24
- the proposed budget for 2024/25
- the forecast budget for 2025/26

and agreed to recommend that Corporation approve the budget for 2024/25 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 2024.

24/40 Medium Term Financial Plan (Paper C5)

Paul Bradley presented Paper C5, the annual review of the Medium Term Financial Plan (MTFP).

Members reviewed the updates in relation to the national landscape and Paul emphasised the forthcoming general election as a key factor with the potential to impact on the plan. From a local perspective members also noted the political landscape within County Durham as well as the establishment of the new Mayoral North East Combined Authority and the projected growth in 16 year olds across Durham and

Sunderland as key issues to keep under review. Paul drew members' attention to the five year College forecasted financial position, highlighting the increase in uncommitted reserves over the period alongside the income position. Members reviewed the current financial position and outlook, reserves position and noted the approach to risk and assumptions made. Paul confirmed that the MTFP remained a live document which would continue to be updated regularly.

Members noted the report and **agreed to recommend that Corporation approve the Medium Term Financial Plan for 2024/25 to 2028/29.**

24/41 Sixth Form and Sports Building Development Proposal – Business Case (Paper C6)

Paul Bradley presented Paper C6, which presented the business case for the proposed Sixth form and Sports Building Development.

Paul reported that as part of the feasibility work to plan the refurbishment of the current Sports and Music Building following completion of the adjoining T.H.E. Hub, the potential was identified to add a floor of 14 classrooms to the building through rationalisation of plant equipment currently located there. Members noted that the potential to establish an A-Level Sixth Form with its own identity on the campus was initially discussed at the Corporation's annual Strategic Review in 2023. Paul drew members' attention to the curriculum case outlined in the report, which illustrated the anticipated growth in A-Level students within the College catchment area and advised that the proposal offered the opportunity to provide this unique space within the campus, while freeing up 12 classrooms in the College's main building. Members reviewed the detailed proposal and estimated timeline noting this would be dependent on planning permission, the procurement process and the eventual contractor's approach to development whilst minimising disruption. Members reviewed the financial case detailed in the report and Paul advised that the estimated cost was based on the information available at the time. Members considered the Net Present Value (NPV) calculation, which demonstrated the project would break even with an additional 20 students over the 50-year life of the project and noted the impact on the MTFP. Paul confirmed that the project was affordable and that the reserves balance would remain compliant with the agreed 10% Reserves Policy. Paul emphasised that the paper was asking the Committee to recommend that Corporation approve progressing the project to tender stage and that there was no commitment to expenditure until tenders were returned and Corporation approved.

Members welcomed the detailed and clear paper and discussed the importance of communications around the project with the community and the parish council. In response to a member's

question Paul provided further clarity on the projected additional income and NPV calculation. It was noted that teaching costs associated with the projected growth were confirmed as being able to be absorbed. The Principal highlighted that the predicted increase in student numbers as detailed in the curriculum case also omitted any potential growth from the nearby proposed housing development and that this provided capacity for growth. Alternative options had been considered for the refurbishment project however there was an important opportunity cost in progressing the full development at the current time. Members commented that the development would provide a strong community hub and the benefit to the community should be reflected in the discussion when the proposal was considered by Corporation.

Members noted the business case and **agreed to recommend to Corporation that the Sixth Form and Sports Building Development project proceed to tender stage with the estimated budget of £5.693m.**

24/42 Reserves Policy (Paper C7)

Paul Bradley presented Paper C7, the Reserves Policy.

Members noted that the Policy had been developed in response to the new College Financial Handbook and the FE Governance Guide, which set an expectation that Colleges have a standalone document setting out their policy on reserves. Paul advised that the policy itself was unchanged since Corporation reviewed the level of reserves in November 2023 and simply provided more detail on the College's approach.

Members agreed to note the level of free reserves required to meet the future strategic objectives of the College covering both continuing operations and investment opportunities **and approve the enhanced version of the College's Reserve Policy.**

24/43 Review of Financial Regulations (Paper C8)

Paul Bradley presented Paper C8, which outlined further proposed changes to the Financial Regulations following the annual review earlier in the year.

Members noted that the amendments introduced a requirement for Corporation approval of financial commitments above £1m in value and clarified key elements of the procedure. Members also noted a minor amendment to reference the proposed Purchase Card Policy proposed in the next agenda item.

Members agreed to recommend that Corporation approve the revised Financial Regulations.

24/44 Purchase Card Policy (Paper C9)

Paul Bradley presented Paper C9, the Purchase Card Policy. Members noted that the policy had been developed in response to an external audit recommendation to provide a greater level of detail on credit card expenditure and expense approvals.

Members approved the Purchase Card Policy.

24/45 Health and Safety update (Paper D)

Elaine Bonham presented Paper D, the Health and Safety (H&S) Report.

Members noted that there were no open liability claims against the College and reviewed the update on the accidents so far this year. Elaine provided details of the four serious injuries, two of which were reported to the Committee previously. Elaine confirmed that two were RIDDOR reportable and that whilst early indications were that these were due to individual error, investigations were ongoing. Elaine advised that the incidents impacted on the H&S KPIs but emphasised the importance of following the HSE guidelines.

Members noted the increase in students commencing in work placements prior to H&S approval and that the wording of communications with employers had been strengthened to prevent any future ambiguity on the requirements. Elaine updated on work placement vetting, contracted works activities, planned and spot inspections and educational visits. Members noted that all H&S training was on track and that the H&S Committee had continued to meet during the year and no issues had been raised by the Trade Unions.

Elaine highlighted a proposed change to the Work Experience – Work Placement Policy relating to the use of students' existing employers as evidence of work experience, which was appended to the report.

Members welcomed the report and the emphasis on ensuring appropriate reporting of incidents as well as taking forward learning points. Members commented that the report demonstrated an excellent H&S record in the context of the scale of activities covered. Noting that human error rather than systems or policies had been the cause of the incidents reports, members felt reassured that appropriate and necessary measures were in place.

Members noted the report and endorsed the Work Experience – Work Placement Policy change.

24/46 Update on 2023/24 Strategic KPIs and proposed KPIs and Targets for 2024/25 (Paper E)

Karl Fairley presented Paper E, which provided the latest update on performance against the agreed Corporate Services strategic KPIs and detailed the proposed targets for 2024/25.

Karl highlighted that the HR strategic KPI table would be updated to reflect the additional RIDDOR reportable accident detailed in the previous agenda item. Karl advised that the Corporate Services Directors had reviewed the proposed targets for 2024/25 and that no changes were proposed. All of the strategic KPIs linked to reports that the Committee received across the year and retaining the KPIs would enable a trend analysis in future updates.

Members commented that the Committee had spent dedicated time on reviewing and agreeing the KPIs when they were proposed the previous year. It was felt that this had provided transparency on the activities covered and the Committee should now focus on monitoring without further amendment. Members reiterated that the format was helpful and accessible and welcomed the consistency across all areas and Committees. In response to a member's question, it was confirmed that some minor changes were proposed in the KPIs monitored by the FE and HE committees and that the finance measures in particular were static year on year. Members commented that environmental reporting would emerge as a key issue in future and Kimberly Stephenson advised that carbon reporting was evolving with the likelihood that an appropriate KPI could soon be established. Karl advised that the first annual report on sustainability would be reported to the July Corporation meeting.

Members noted the progress to date on the Corporate Services KPIs for 2023/24 and **endorsed the targets for 2024/25 for approval by Corporation.**

24/47 Proposed Schedule of Business for 2024/25 (Paper F)

Members reviewed Paper F, the proposed Schedule of Business for the Committee in 2024/25. Members noted the proposal to reduce the number of meetings over the year from five to four with the May meeting removed due to the close proximity with the June meeting. It was noted that the Corporate Services Executive Directors had reviewed the schedule and advised on the redistribution of business across the remaining meetings.

Members endorsed the proposed Schedule of Business for 2024/25.

24/48 Any other business

None.

24/49 Date of next meeting: TBC

24/50 Annual Review of Committee Effectiveness 2024/25

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:

- members felt that in light of the extent of the work required to prepare the reports, it was important that this had a wider purpose and not solely for reporting to Committee meetings
- significant progress had been made in moving away from operational detail in reports and presentations. Executive summaries would continue to be a focal point for governors with back up detail in the body of the report for governors' reference where necessary. It was important that members were able to gain an understanding of the report and what was being asked by reading the executive summary.
- Members queried whether the Committee focused sufficiently on risk and whether this was reflected in the KPIs table. It was expected that the NEIoT risk referenced earlier in the meeting would be added to the strategic risk register.
- One member suggested that a more structured approach should be taken to updating Corporation on the Committee's discussions. It was noted that this had previously been covered by each Committee Chair providing a verbal update from the meeting but more recently reliance had been placed on the minutes of the meeting due to the time pressure on the Corporation agenda.
- Members discussed the value of the Corporate Services Executive Directors attending the Committee regularly.

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