Agenda No: 6

Finance & General Purposes Committee - Main Minutes
Friday 23 June 2023 – 9am to 11.05am
Virtual Meeting

Committee Members	Type	Initials	Attendance	Apologies
Martin Hedley	Chair / Independent	MH	X	
David Alexander	Principal / CEO	DA	X	
Gareth Edmunds	Independent	GE	X^	
Alan Potter	Independent	AP	X	
David Brind	Independent	DB	X^	
Sharon Kinleyside	Staff	SK		X
Clerk				
Nicola Taylor	Director of Governance & Compliance	NT	X	
Attendees				
Jeremy Cook	Deputy Principal: Finance & Resources	JC	X	
Chris Toon	Deputy Principal Curriculum & Quality	CT	X	
Ivan Jepson	Director of Business Development & Innovation	IJ	X	
Deni Chambers	Director of Curriculum & Skills	DC	X^	
David Keetley	Financial Controller	DK	X	
Steve Collingwood	Facilities Manager	SC	X^	

*Attended via Teams / ^Attended for part of the meeting.

F/190   1.   Chair's welcome, apologies, conflicts of interest

The Chair opened the meeting and welcomed the attendees.

Apologies were received from SK. It was noted that GE was running slightly late to the meeting and DB needed to leave part way through the meeting. The Committee **agreed** that the meeting was quorate.

There were no conflicts of interest declared. Members were reminded to declare any conflicts that arose during the meeting.

The Chair noted that the items would be taken in a slightly different order to the agenda, with item 8 and item 6 being taken after item 3.

F/191   **2.   Minutes of the last meeting dated 19 May 2023**

        A)   Main meeting minutes

        The Committee **<u>reviewed</u>** the main minutes from the previous meeting and **<u>agreed</u>** that they were a true and accurate account of the meeting.

        B)   Confidential meeting minutes

        The Committee **<u>reviewed</u>** the confidential minutes from the previous meeting and **<u>agreed</u>** that they were a true and accurate account of the meeting.

The minutes were approved.

F/192   **3.   Matters Arising / Action Log**

JC presented the action log and noted that there were several actions in progress. It was agreed that a number of items would be closed following discussion at this meeting.

The action log was noted.

F/195   **4.   Management Accounts 2022-2023 P11 May**

Taken after Item 6.

JC presented the report and highlighted the following:

- The College continued to be on target to deliver the surplus and key targets set within the approved budget for 2022/2023.

- Additional income had been generated within the year due to additional bootcamp funding and an ESFA "earnings boost" relating to Adult Education Budget (AEB) funding. This generated c£500k additional income for the College, and this was being reinvested across curriculum areas, training and development, and campus improvements. It was noted that some capital expenditure had been able to be accelerated into the 2022/2023 financial year to ensure equipment / resources were ready for September 2023.

- The College had been reviewing their fixed asset base and considering the impairment of fixed assets. An estimated impairment charge of £290k had been included in the forecast outturn figures for 2022/23.

- There were a number of moving parts within the forecast surplus for the year which may result in movement in the final figure but, as things currently stand, a surplus of £399k is the forecast year end position for 2022/23.

The Committee **<u>noted</u>** the progress of reporting relating to ongoing moving parts and being kept up to date regarding projected figures.

The Committee <u>approved</u> the P11 Management Accounts for presentation to the Board.

The report was approved.

DB and DC left the meeting.

F/196   5.   Subcontracting Plan and Policy 2023-2024

Taken after item 4.

IJ presented the report and highlighted the following:

- The ESFA required the College to seek Board approval to subcontract provision to partner organisations and ensure management controls are in place to minimise the risks to public funding associated with subcontracting.

- Both the proposed subcontracting plan and policy were in line with 2022/2023.

- *Covered under a confidential minute.*

- Due to changes in funding rules and guidance, additional organisations had been added to the plan as declared subcontractors, however this related to provision already in place.

- Confirmation was awaited from the ESFA in relation to whether bootcamps were classified as subcontracting. This provision had been included within the plan in anticipation of the outcome.

    o It was confirmed that if bootcamps were classified as subcontracting, this would have an impact on financial reporting and the Committee would be updated with the outcome.

- Subcontracting Controls had been externally audited for 2022-2023 and the report on this had been submitted to the Audit Committee. The report provided strong assurance and had since been submitted to the ESFA. This provided a 3-year exemption from a subcontracting audit however the College would consider processes to continue to provide assurance.

The Committee <u>queried</u> the following:

- The projected subcontracting plan for 2024-2025 in relation to the ESFA 25% subcontracting threshold - it was suggested that the 25% threshold relating to subcontracting may not apply in 2024-2025 due to the expectation of Gateshead moving to a devolved authority, and therefore ESFA non-devolved funding no longer being applicable.

- The challenge and variability in provision impacting the College in achieving the subcontracting threshold percentage levels within 2023-2024 – it was confirmed that the College was working through financial modelling and was confident that it would be able to manage the level of delivery as required, however the variable factors involved in achieving the specific percentages was noted.

The Committee <u>recommended</u> the Subcontracting Plan and Policy for 2023/2024 for Board approval.

The report was recommended.

F/194   6. Budget 2023-2024 and Financial Forecast 2024-2025

Covered after Item 11.

JC presented the report and highlighted the following:

- Further work had been undertaken to validate the budget following the Round 2 iteration provided to the Committee at the May 2023 meeting.

- A further significant change was to be made ahead of seeking Board approval at the July 2023 Board meeting, *Covered under a confidential minute.* This additional income would be reinvested into the College to the benefit of learners, so the final budget would include increase income and expenditure but left the operating surplus unchanged.

- The expected surplus for 2023/2024 had increased by £25k since the last iteration of the report; the report included a summary of movements.

- The capital budget stood just over £2.4m, which included £1m of the College's funds. 50% of this was to be focussed on developing Teaching and Learning, and the other 50% to be focussed on IT and Digital.

- In relation to the Capital Grants from the DfE, the previously approved works would account for half of the grant funding. The College was continuing to work on eligible projects and would keep the Committee updated.

    Action: JC to keep the Committee updated in relation to the spending of the DfE capital grant funding.

- Financial Health for 2023-2024 and 2024-2025 was expected to be graded as 'Good'. This aligned with the College Finance Strategy. It was confirmed that the College would need to increase its surplus by c£300k to achieve a financial health rating of 'Outstanding' and it was felt that it was better to reinvest this money into the College.

- The proposed budget will meet all bank loan covenants.

DC joined the meeting

- The budget aligned to the curriculum planning process which had been previously reported to the Curriculum & Quality Standards Committee.

- The College would continually review numbers during enrolment and would flex expenditure where required.

The Committee <u>queried</u> the following:

- The prudency of the budget – it was advised that the budget represented a balanced approach, challenging but deliverable. A large amount of work had been undertaken as part of the budget setting process which included several levels of iteration and challenge. It was noted that there would likely be changes across the landscape throughout the 2023-2024, for example, such as bootcamp delivery and funding, with opportunities and challenges likely to emerge throughout the year.

- Key challenges for setting the budget – it was suggested that the main challenges related to income streams where there was volatility, such as AEB.

- Ideas for investment – it was noted that a number of priorities had been highlighted as part of the annual College Community Conversations.

- Linkage between reporting to the Finance & General Purposes Committee and the Curriculum & Quality Standards Committee. It was agreed that the key drivers from the curriculum planning report could be factored into the budget paper for the Board.

  Action: JC to include the key drivers from the curriculum planning report could into the budget report for Board.

  - It was confirmed that Committee papers were able to be shared with governors, and governors were welcome to attend additional Committee meetings where available.

- Modelling of depreciation – it was confirmed that there would be investment in IT this year and all related capital and revenue costs were included within the budget. A number of laptops had been given to the College by the DfE as part of the Covid response, and this had been included within the asset register. The College was working to create a refresh strategy where investment would be on a recurring basis where possible, to minimise large amounts of investment being required at any one time and adopt a more continuous approach.

- Consideration of capital expenditure vs operational expenditure in relation to the Digital Strategy – it was confirmed that there were ongoing discussions regarding prioritisation relating to the strategy.

The Committee <u>discussed and requested</u> the following:

- Further information relating to the bridging of the 2022-2023 expected outturn to the 2023-2024 budget, and the Round 3 2023-2024 budget to the proposed final version.

  Action: JC to provide additional narrative within the budget paper setting out the key assumptions made for the 2023-2024 budget, and the Round 3 2023-2024 budget to the proposed final version.

- Further information relating learner numbers, related trends, and drivers behind curriculum planning changes.

  Action: JC to include further information regarding curriculum planning changes to the final budget paper.

The Committee <u>recommended</u> the Budget 2023-2024 and Financial Forecast 2024-2025, subject to discussed changes being made and additional narrative added.

The report was recommended.

F/197   7. ONS / Financial Regulations

Taken after Item 5.

JC presented the revised College Financial Regulations and highlighted that they had been updated, following the last iteration recommended by the Committee in February 2023, to include coverage of all DfE issued bitesize guidance relating to the reclassification of colleges into the public sector. A breakdown of changes had been provided within the report.

The version submitted to the Committee was to be amended further to recognise the separation of the People and Remuneration Committee from 2023/2024.

The Committee **noted** that further guidance may be issued over the summer period and it was **suggested** that delegated approval could be given to the Executive Team to amend the policy further, based on regulatory changes. It was reiterated that the College would continue to comply with any regulatory changes whether it was outlined within the Financial Regulations or not.

The Committee recommended the Financial Regulations for Board approval.

The report was recommended.

F/198   8. Internal Audit: Financial Controls

JC presented the report for information, noting that the report concluded 'strong' assurance which was the highest grading on a four-point scale. This had been presented to Audit Committee.

The Committee **noted their thanks** to the Finance Team for administering and managing day to day financial processes.

The report was noted.

F/199   9. Procurement Strategy Action Plan

JC presented the report and noted that this followed the March 2023 Committee meeting which recommended the Procurement Strategy for Board approval on 5 July 2023. The action plan had been developed to support the delivery of the strategy. Good progress was being made following the appointment of the Senior Procurement Officer.

The report was noted.

F/200   10. Rail Industry Services – Tender Summary and Recommendation

JC presented the report and highlighted the following:

- In terms of the Adult Education Budget, rail was one of the largest areas of provision. The provision ensured the employment edge by an enhanced offering alongside the qualification.

- The College has undertaken a tender exercise in accordance with Financial Regulations and the Public Contracts Regulations for the provision of Rail Industry Services, to support the delivery of the Rail Academy course offering. A total of 4 bids had been received.

- *Covered under a confidential minute.*

The Committee recommended the contract award for Board approval.

The report was recommended.

F/193   11. Estates Update

Taken after Item 3.

JC presented the report and highlighted that:

- The College continued to work closely with the Council regarding the options appraisal of Gateshead International Stadium.

GE joined the meeting.

- A procurement process had started to engage a specialist to help shape and develop the College Estates Strategy. The original strategy was created when the College was in financial difficulty and was now in a different place. Work had been undertaken to understand travel to learn patterns.

    o The Committee **queried** the proposed fee construct of this work - it was confirmed that prices were requested for the specifications and that there would be an evaluation of submissions relating to content and cost.

- Progress was being made on the reduction of gas and electricity consumption. The College was ahead of its 5% reduction KPI. Improvements had been made following previously reported areas for attention and the College was starting to see the benefits.

- The College was identifying a programme of energy efficiency works following the DfE capital grant. The College had undertaken a tender exercise in accordance with the College Financial Regulations for this work. A total of 4 bids had been received.

Covered under a confidential minute.

There had been a large price difference between the bidders and this had been explored to ensure a full understanding of the works required. References had also been sought for the recommended contractor to provide additional assurance.

    o The Committee **queried** if there had been an agreed scheduling of payments to the suggested contractor – it was confirmed this was the case.

The Committee approved the energy efficient works tender.

The report was noted and approved.

SC left the meeting.

F/201   **12. Draft Digital Strategy**

CT presented the report and highlighted the following:

- The draft digital strategy had been developed with discovery workshops, customer journey mapping, stakeholder interviews and feedback from the Executive, Senior Management and IT teams. These activities identified key opportunities and challenges for Gateshead College.

- It was suggested that the implementation of the Digital Strategy could be facilitated by the creation of a Digital Group. The Committee discussed whether this might be a subgroup of the F&GP Committee (open to all Board members) or a college group whereby governors could attend, similar to the Safeguarding Strategy Group.

- The Digital Strategy would be brought back for recommendation after further development. This would include feedback and comments from governors.

The Committee **noted** that it was pleasing to see investment within digital and that the strategy was around enablement and partnership.

The Committee queried the following:

- If there was investment needed within staff training / skills – it was suggested that the strategy would be an enabler rather than specific introduction of new equipment, and therefore was to raise awareness and aspirations rather than specific to new skills and technology. It was noted that the College did a lot of positive work with employers within the Digital sector and needed to replicate this within the College.

The Committee **discussed** the notion of a Digital Subgroup vs Digital Steering Group and **agreed** for the Executive Team to discuss and agree the best approach.

Action: Executive Team to discuss and agree the approach of a Digital Subgroup / Digital Steering Group.

It was confirmed that as part of a recent Local Skills Improvement Fund (LSIF) expression of interest, the College was hoping to lead on the Digital strand of the bid. This would likely lead to further partnerships and opportunities.

The report was noted.

F/202   **13. Strategic Risk Register**

JC presented the report noting that there had been no changes to the risks or risk scoring since the previous meeting.

Following the discussion at the Committee meeting in May 2023, appendix 5 had been amended to clarify that tolerance of a risk was conditional on the maintenance of existing mitigations and controls as well as the periodic review of the residual risk score. In the event that the residual risk score was judged to be increasing, the decision to tolerate a risk would be reviewed.

In terms of horizon scanning, the College had engaged with an external specialist to review the College's business continuity arrangements. Business Continuity was a risk on the risk register and was due to be internally audited in 2023-2024, subject to the Board approving the Internal Audit plan for 2023-2024.

The Executive Team were going to review and refresh the Strategic Risk Register over the summer.

The Committee queried the following:

- If there would be a change in format of the risk register – it was suggested not as the current format was working well. Feedback had been taken on board and changes had been made throughout the year as required. It was suggested that there was unlikely to be any material changes. The Curriculum & Quality Standards Committee would be considering risk around quality of provision.

- The tolerability of Risk 9 and the high level of the residual risk – it was noted that mitigations continued in this area however due to the current resources available and the likely impact of the risk, the scoring remained high.

  o The Committee **questioned** if this was a reflective risk appetite across the sector and **discussed** the potential of investing in new technologies leading to an increased risk relating to cyber security. It was noted that some newer technologies may be more resilient to risk, and from a procurement perspective, cyber security was covered as part of this process.

The report was noted.

AP left the meeting.

F/203   14. Draft Board Calendar 2023/2024

NT presented the report, noting the report had not changed since the version shared at the May 2023 meeting. It was originally hoped that the March 2024 meeting date could be amended to facilitate DB attendance however due to deadlines and timescales, this was not possible.

Post-meeting note: Committee members highlighted that they would be unable to attend the F&GP, and joint Audit and F&GP meeting scheduled for 29th November.

Action: NT to rearrange the F&GP, and joint Audit and F&GP meeting scheduled for 29th November.

The report was noted.

F/204   15. Finance and General Purposes Committee Terms of Reference

NT presented the report and highlighted the following:

- A revised set of Terms of Reference had been created for each committee for 2023/2024.

- The revised documents have been re-written and set out specific areas of delegated authority to help ensure the Board is able to utilise the skillset of each Committee to its advantage, and ensuring clear levels of delegation to prevent the Board from repeating business. This would also create more space at Board level to focus on strategic discussion, whilst continuing to receive updates from each Committee on the areas of business covered.

- A scheme of delegation had then been created to set out the delegation levels to support the Terms of Reference.

- The Finance and General Purposes Committee Terms of Reference covered the areas of; finance, subcontracting, estates, sustainability, IT & digital, marketing, communications & learner services, operational planning and relevant policies. The area of Information Governance would be moving the remit of the Audit Committee.

The Committee **noted** the clarity of the document.

The Committee queried the following:

- The provision to co-opt members in the interests of quoracy – it was confirmed this was set out in the Standing Orders.

- A Terms of Reference for the Joint Audit and Finance & General Purposes Committee.

    Action: NT to check if there has previously been a Terms of Reference for the Joint Audit and Finance & General Purposes Committee.

The Committee recommended the Finance and General Purposes Committee Terms of Reference for Board approval.

The report was recommended.

F/205   16. Any Other Business

N/A

F/206   **17. Date of the next meeting**

The date of the next meeting was due to take place on Friday 29th September at 9am.