

Agenda No: 02



FINANCE AND GENERAL PURPOSES COMMITTEE

FRIDAY 21 JANUARY 2022

Report: Minutes of the meeting held on Friday 22 October 2021

Author: Clerk

Action: Approve

Status: Open

Present: Martin Hedley (MH – Chair)
David Alexander (DA – Principal and CEO)
Robin Bailes (RB)
Gareth Edmunds (GE)

In attendance: Jeremy Cook (JC – Deputy Principal: Finance & Resources)
Nadine Hudspeth (NH – Director of Marketing & Communications, Estates and Health & Safety)
Ivan Jepson (IJ – Director of Business Development & Planning)
David Keetley (DK – Financial Controller)
Chris Toon (CT – Deputy Principal: Curriculum & Quality)
Emma Moody (EM – WBD, Clerk)

F/059 Chair's Welcome, Apologies and Conflicts of Interest

The Chair welcomed everyone to the meeting. Apologies were received from David Brind (DB).

The Chair reported he had received notification from GE that he would be slightly late for the meeting. The Clerk noted the meeting was not quorate until GE joined so any matters requiring a decision or approval should be confirmed by GE upon arrival.

No conflicts of interest were declared at the start of the meeting but members were reminded to declare any conflicts that arose during the meeting itself.

F/060 Minutes of the last meeting dated 17 September 2021

The minutes from the Finance and General Purposes Committee meeting on Friday 17 September 2021 were agreed as a correct record, subject to GE confirmation upon his arrival.

F/061 Matters Arising

The action log was presented to the meeting and the Chair noted that he regarded F/042 and F/044 as completed as they appeared on today's agenda. F/042 would be held over until the start of the next calendar year.

F/062 Update on 2020/21 Outturn and Audit Progress including AEB Business Case

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

He confirmed that the forecasts matched the management accounts previously presented and presented to this meeting. He confirmed that the team had had very positive engagement with Mazars during the course of the preceding week. He highlighted two areas in relation to the accounts requiring clarification at the end of the financial period in relation to (a) confirming the position regarding ZCF and pension liabilities and (b) the position of the Gateshead College Foundation.

In relation to the Gateshead College Foundation, a short discussion took place as to the current position of that Foundation (a company limited by guarantee) vis a vis the College. The clerk stated that the Gateshead College Foundation was a wholly owned subsidiary company of the College with a board of trustees appointed by the College. There was a meeting being scheduled between CEO/Principal, Clerk and NH to discuss the Gateshead College Foundation and we could certainly look at its constitutional and governance structure again then.

Action: Meeting re Foundation to discuss structure and report back to future meeting.

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In relation to the AEB business case, it was confirmed that this had been submitted to the local review team on the 7 October and Emma Stookes at the ESFA had verbally confirmed to DA that she had passed it to John Taylor to review. It was confirmed that the forecasts in the accounts assume that the business case will not be successful as presented.

The Deputy Principal: Finance & Resources confirmed that the next month would be busy in terms of working and concluding the financial statements. There would be a series of reports coming to the next joint committee meeting in readiness for the board meeting. Mazars had assured the Audit Committee meeting on Wednesday that they would be able to meet the time frame for sign off and submission.

The Chair raised a question in relation to the number of overall learners who had enrolled and this being lower than forecast. It was confirmed that this was mainly due to a reduction in recruitment in health and social care and the Chair wondered if there was a broader sector wide issue in this regard. CT confirmed that the progression track into jobs in this sector looked different to how it had done even 12-18 months ago with learners going straight into employment in care settings. This meant that the model of the curriculum and the way in which it was delivered needed to change to meet the new working environment, which was no longer through a traditional education route.

The report was noted.

F/063 Enrolment 2021/22 Update including Mitigating Actions

The report was presented by the Deputy Principal: Curriculum & Quality.

CT confirmed that there was still some movement of learners at this point in the year, although things were settling down. The College was, however, offering certain learning incentives to students to join the College. As at day 42, a learner would be classed as a "start" and this will then guarantee their income for the next financial year. CT confirmed that the College was 1600 students passed that threshold. He also confirmed that apprenticeships were more buoyant than predicted and therefore the College ought to end up ahead of target for the year.

He confirmed that adult recruitment was buoyant for this point in the year and that whilst HE was slightly behind where anticipated, it was not marginally different to the projections. He also noted that they were not running the HE health and social care degree this year which impacted on the figures.

RB asked a question in relation to the significant variance for the adult part time learners and CT confirmed that this simply reflected the profiling of joiners/starters throughout the year and was not a cause for concern. In response to this, the Chair said that the presentation of this data could be more realistic to profile it throughout the year so that this committee could track recruitment against the "profiled" target.

Action: CT to ensure that future presentations were profiled throughout the year in line with recruitments projections for adult starts.

The report was noted.

F/064 Management Accounts to end of September 2021

The management accounts were presented by the Deputy Principal: Finance & Resources.

JC recorded his thanks to DB for his contribution to the management accounts format and also to DK for ensuring that they were presented in this new way.

JC confirmed that the College had made a solid start and was on budget after two months and projecting still, at this early stage, to be on budget for the year. There were no issues in the KPI's of concern of which the Committee was not already aware.

GE joined the meeting at 10.30 am. He confirmed to the Chair his approval of the Minutes of the last meeting.

JC confirmed that whilst there were some variances between income and budget lines, on balance, the position was netting itself off. He said the College was experiencing some cost pressures in terms of the national insurance increase, the costs of the new loan finance from Barclays and also increased sector wide energy costs. He was confident that the College would find savings this year to net off those increased costs – see page 17 of the document.

He said that one of the key risks would be the College's ability to deliver on key income lines but that the team were mitigating these risks with the operational strategy.

GE asked a question about the College's financial notice to improve and whether or not the changes to the level of professional fees incurred throughout the year created a risk in that there being less oversight in place. JC confirmed that professional support was still being engaged at the right level and there would be no increased risk of regulatory or regularity issues because of the reduction in professional costs. The 19/20 costs simply reflected that 19/20 was an exceptional year in terms of the level of professional service and support required.

DA reinforced the position that this was a very early point in the year and that the team were monitoring the financial position daily but by the next meeting, the analysis of where the College was then would be key.

The Chair asked the committee to confirm that it was content with the format of the new document in response to which members agreed was very user friendly. This had been shared with the ESFA for comment and initial feedback was positive. The FEC team would see this new format in the stock take visit next month.

JC confirmed that there would be further work undertaken on trend analysis.

GE asked whether there was benchmarking financial information available from other Colleges and JC confirmed that the ESFA did produce analysis once each of the Colleges in the region had submitted its final audited accounts.

The management accounts were noted.

F/065 Loan Covenant Update

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

JC confirmed that the College had reported to the ESFA in anticipated breach of loan covenant under its financial agreement. The College had been in touch with Mazars and also with the PMO to confirm this issue.

The College would submit a formal specific request to the ESFA to waive the breach and informal discussions had been positive thus far. The College needed to understand what Mazars required from it in order to be able to support a going concern statement.

JC said he had not yet spoken to Barclays but this would be the next step as a result of a cross creditor default.

The Clerk noted that the timing of getting formal waivers from the ESFA and from Barclays would be crucial in order to inform the Board so that it could sign off the accounts at its meeting on 15 December and so that this committee could have line of sight at the meeting on 1 December.

RB asked whether or not there were any other cross default provisions which would bite and JC said he was not aware of any and on further question from CT confirmed there would not be any consequence for Tyne and Wear Pensions.

DA said that putting this into context the key issue was that the College was continuing to generate cash and meet its obligations to its creditors by paying them on time. The ESFA were comfortable that we had anticipated it in good time. At this stage the PMO was accommodating the College in looking at the options but this would obviously be confirmed in the written communication to follow.

Committee members confirmed:

- (a) that they believed what the College was doing was appropriate in relation to handling the anticipated loan breach; and
- (b) that the Committee had assurance that the College could continue to meet its liabilities as they fell due.

The report was noted and the Committee would receive further updates on this issue.

F/066 Subcontracting Update

The report was presented by the Director of Business Development & Planning.

IJ highlighted the unintended consequence that arose as a result of the due diligence framework set by the ESFA which meant that some providers ended up with quite high risk credit score ratings which would have automatically precluded the College, and other colleges sector wide, from engaging with those providers. The College was able to submit a business case in exceptional circumstances seeking permission of the ESFA to work with certain red rated providers. Since initial credit rating checks were undertaken, two of those providers were no longer high risk which perhaps called in to question the

adequacy of the ESFA due diligence framework. The College was however seeking confirmation from the ESFA that it would make an exceptional case for the College to work with one particular partner.

CT highlighted that the financial risk was mitigated because the College paid its partners in arrears. The bigger issue would be procuring that service from an alternative provider if an existing provider was no longer able to provide it.

The Chair asked whether there would be any change in subcontracting policy and IJ confirmed there would be no change to policy.

IJ confirmed that the College monitored the credit scoring of individual providers it worked with at two points throughout the year although it didn't need to submit any further business case to the ESFA for permission if credit rating changed.

The report was noted.

F/067 Estates Strategy Update

The report was presented by the Director of Marketing & Communications, Estates and Health & Safety.

NH confirmed that the last estate strategy had been developed at a point in time and in response to the acute financial crisis when the repayment of loans would have been regarded as absolutely key to the strategy. Now that the College was in an even footing in terms of repaying its loans, it was an appropriate and timely point to review it as well as in line with enrolment updates and forecasts.

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It was confirmed that the College had not been successful with its capacity fund bid.

In terms of next steps, the estate strategy would be reviewed and revised and brought back to a future meeting in anticipation of presenting to the Board for approval. It would be shaped by the College's overall strategy. Members of the Committee would like to see that strategy incorporate element of sustainability, carbon zero and environmental considerations.

GE asked whether or not energy costs would be considered as part of the estate strategy.

JC said that the College anticipates overspending against the current budget because of increased energy costs generally. In terms of Gateshead's current energy contract provision, the College would be subject to higher costs and this was included in the management accounts.

The Clerk asked whether or not there was any funding available to colleges to make buildings more energy efficient and sustainable in the future. DA confirmed he was not aware of any but this could be looked into. RB raised the issue of solar panels as something that ought to be considered as part of any future strategy.

After consideration, the Committee confirmed it was content that there would be no change to the current estate strategy but with a full review as to the future strategy going forward.

The report was noted.

F/068 Risk

Risk Register

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

It was confirmed that Wylie and Bissett would run a training session on 15 December.

GE asked how inherent risk was assessed and recalculated throughout the course of the year. JC confirmed that both looking at inherent risks how they've changed as well as how that resulted on the residual score was looked at regularly at executive level.

The Chair asked about the allocation of risk against papers that came to the Committee and how the Committee received assurance on particular areas. We talked about use of the cover report as mapping risk to items on the risk register against which that report provided assurance. As a piece of work, we needed to ensure that all risks were being reported on through papers and identified any gaps. GE also said it would be helpful to reference any internal audit reports undertaken on that area of risk within the last 12 months.

Action:

1. *To reference internal audit reports against the risk register.*
2. *To ensure cover reports report on where items relate to matters on this Committee's area of responsibility from a risk perspective.*

The report was noted.

Draft Assurance Framework

The report was presented by the Deputy Principal: Curriculum and Quality.

This was to provide assurance on the adequacy of information governance systems and processes.

GE asked if the College had cyber security and CT confirmed it did. He also said Northumbria Police offer a free ethical hacking service and CT confirmed he would look into this.

Members confirmed they were happy with the format and content of the report, save that the report would reference roles/posts, rather than individuals making FoI requests.

In terms of frequency, the Committee agreed to receive this once per annual cycle, with any areas of acute concern being reported immediately to the Committee. The Committee would then report annually to the Board.

The report was noted.

F/069 Any Other Business

There was none.

F/070 Date of next meeting

The date of the next meeting was confirmed as Friday 21 January 2022 at 10.00am.

Date of joint F & GP and Audit – 1 December 2021.