



Agenda No: 05

**Finance & General Purposes Committee – Main Minutes**

**Friday 21 June 2024 – 9am to 10.35am**

**Gateshead College Boardroom**

<b>Committee Members</b>	<b>Type</b>	<b>Initials</b>	<b>Attendance</b>	<b>Apologies</b>
Martin Hedley	Chair / Independent Corporation Member	MH	X	
David Alexander	Principal / CEO Corporation Member	DA		X
Darren Curry	Independent Corporation Member	DCu	X	
David Brind	Independent Corporation Member	DB	X*	
Victoria Beattie	Co-opted Governor	VB	X	
Sarah McCourt	Co-opted Governor	SMc	X	
Chris Forster	Co-opted Governor	CF		X
<b>Clerk</b>				
Nicola Taylor	Director of Governance & Compliance	NT	X	
<b>Attendees</b>				
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	DCh	X	
David Keetley	Financial Controller	DK	X	

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

**F/257 1. Chair’s welcome, apologies, conflicts of interest**

The Chair opened the meeting and welcomed the attendees.

Apologies were noted from DA and CF. 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 there was a focus on ensuring a psychologically safe environment for governors and staff members to feel comfortable to ask questions and positively challenge.

**F/258 2. Minutes of the last meeting dated 24 May 2024**

**A) Main meeting minutes**

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

**B) Confidential meeting minutes**

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

***The minutes were approved.***

**F/259 3. Matters Arising / Action Log**

**A) Action Log**

The action log was presented, two actions were ongoing and one not yet due.

In relation to the query regarding Local Government Pension Scheme (LGPS) opt out, JC reiterated that all new applicable employees were opted in automatically and had to make the decision to opt out. Documentation was sent regarding decisions to opt out to ensure awareness of the benefits of a pension to allow employees to make informed decisions. There was a 3-year re-enrolment process in place for the LGPS.

The Committee **were assured** that the College was highlighting the importance of pensions to staff.

The Committee **queried** the reasons for opt-out however it was noted this information was anecdotal with reasons not being required. The Committee **noted** that some staff members may have external arrangements. The Committee came to the conclusion that a 10% opt-out figure was not specifically high compared to other sectors, based on their experience.

The Committee **queried** if there was any financial advice offered by the AoC (or similar), understanding that the College was not able to offer this. It was confirmed that the College did offer information relating to financial wellbeing and the applicable pension schemes did offer information sessions. The Committee **suggested** including information on payslips regarding where advice could be sought or further information provided.

**Action: JC to consider the inclusion of additional information on payslips with the Finance Team.**

#### **F/260 4. Subcontracting Plan and Policy 2024/2025**

IT presented the report, noting that this set out the proposed Subcontracting Plan for 2024/2025, along with an updated Subcontracting Policy, for recommendation for Board approval. IJ noted that this was a requirement were an organisation subcontracted over £100k.

IJ provided an update on the changes in the subcontracting plan, as per the report.

The 25% threshold set by the ESFA per any one funding stream would not apply for the adult education budget going forward, with this funding now being provided through the North East Combined Authority (NECA) from 2024/2025. No NECA thresholds had been set at the time of the meeting. There were no concerns with the 25% threshold for any ESFA funding streams.

The DfE confirmed in March 2024 that the College had achieved the subcontracting standard for 2022/2023 funding year and the next time the College would be required to submit an assurance review of the standard would be July 2026.

**The Committee discussed and queried the following:**

- The rationale for subcontracting – it was noted that this was for a range of reasons relating to niche provision types, expertise requirements and a greater reach of partners.
- Any media interest relating to subcontracted provision – it was suggested not however there had been negative media stories within the sector where subcontracting had not been managed appropriately.
- Due diligence of partner organisations – it was confirmed that partners undertook an annual onboarding process which included due diligence and financial assessment. Termly checks were also undertaken to mitigate risk.

The Committee **recommended** the Subcontracting Plan and Policy for 2024/2025 for Board approval.

**Action: NT/IJ to process the Subcontracting Plan and Policy for 2024/2025 for Board approval.**

***The report was recommended.***

#### **F/261 5. Budget 2024/2025 and Financial Forecast 2025/2026**

JC presented the report, noting that this followed on from the report presented to the Committee in May 2024, and now included a greater detail of the financial figures and analysis. JC highlighted the following:

- The planning process was robust and validated by a recent Internal Audit report. The process was fully integrated across the College and the budget went through various iterations of review and challenge ahead of being presented.
- The budget was believed to be challenging and ambitious but at the same time underpinned by an achievable curriculum plan with the potential to generate in-year growth funding depending on enrolment numbers. Income projections were based on a combination of allocations from funding bodies and learner numbers in the curriculum plan.
- The pay budget was estimated to be higher for 2024/2025 with reasons set out within the report. Any pay award for 2024/2025 would be considered after the start of the new financial year once learner numbers crystallised.

- Due to this, the Pay:Income ratio was expected to increase, and the College would be monitoring this closely.
- Capital expenditure had been included, this included investment of the College's own funds as well as capital grants from funders. JC noted the difference in the College's culture regarding capital expenditure with staff bringing forward innovative ideas to improve.
- EBITDA was expected to be around the same level as 2023/2024, with a similar surplus.
- In terms of ESFA Financial Health, the budget was set to be rated Good, with all bank covenants due to be met.
- Sensitivity analysis had been included within the report to provide reassurance, with JC reiterating that the College would be flexible and adaptable through the first term as learner numbers crystallise.

The Committee **thanked** for all of those involved in the level of work undertaken and the robust planning process. The Committee **noted** the little variance to budget throughout the 2023/2024 year which provided them with confidence of the budget setting process.

*Note: Some additional questions regarding numbers had been asked in advance of the meeting. This included questions relating to curriculum delivery, costings and the proposed capital budget for 2024/2025.*

**The Committee discussed and queried the following:**

- The reality of learner number assumptions – for 16-18 provision, the College was confident of around 60% of learner numbers with work ongoing over the summer to increase this figure. Assumptions were also based on labour market intelligence and historic conversion rates of applications. 600 additional applications had been received compared with the previous year. The College had modelled 150 additional learners and this could result in additional income in-year however this had not been included within the budget. Around 20% of the College's curriculum staff was flexible i.e. not employed on permanent contracts

In terms of apprentices, the College was confident with the learner number assumptions.

In terms of Adult Education, the College was comfortable with the figures however noted some risk around bootcamp delivery relating to the fixed term contracting approach adopted by funders for this work. A challenging target had been set within the curriculum plan with the potential to flex direct delivery to partner delivery in-year.

**Action: NT to share Recruitment Update presented to the Curriculum & Quality Standards Committee in June 2024.**

- The space / staffing resource capabilities – the College was able to set up a shadow timetable to allow considerations of space / staffing for additional classes. A number of vacancies had been advertised as part of the College's summer recruitment campaign. There was some risk around specialist resources and the College was considering alternative options for this. There maintained a focus on ensuring a high-quality learner experience.
- The level of capital expenditure compared to previous years – during the period in which the College was in intervention, there was no capital

expenditure unless essential however this was picked over the last couple of years and the budgeted figure for 2024/2025 was in line with recent years. JC noted that there was no funding for bigger building projects and due to the ONS decision to reclassify colleges into central government, colleges were no longer able to commercially borrow.

JC noted that the College budget also included the budget for both the North East Apprenticeship Company (NEAC) and Gateshead College Foundation.

The Committee **recommended** the Budget 2024/2025 and Financial Forecast 2025/2026 for Board approval.

**Action: NT/JC to process the Budget 2024/2025 and Financial Forecast 2025/2026 for Board approval.**

***The report was recommended.***

*DCh left the meeting.*

## **F/262 6. Estate Strategy Update - Verbal**

JC provided the Committee with a verbal update on the development of the College's Estate Strategy and highlighted the following:

- The development of the Estate Strategy was not as far on as hoped and this was due to the healthy ongoing debate around strategic context and the direction of the College's estate.
- Conversations had taken place around the College's buildings, but also people, place, branding and sustainability.
- Discussions around potential options still needed to conclude alongside an appraisal of potential options. There was no funding available for large capital projects and the College was no longer able to commercially borrow following the ONS decision to reclassify colleges into central government.
- The College was exploring opportunities to work with 3<sup>rd</sup> parties to develop the College's estate.
- The College was meeting with the Estates Strategy adviser today to discuss the immediate priorities over the next 4-6 weeks, including the drafting of sections on operating environment, current and future curriculum, evaluation of the existing estate, functional suitability and space utilisation. Within the summer, work was being undertaken on sustainability and decarbonisation, ensuring the Estate Strategy aligned with the Sustainability Strategy.
- A draft of the Estate Strategy would be brought to the Finance & General Purposes Committee in September 2024.

**The Committee discussed the Estate Strategy update at length, specifically the following:**

- The constraints on capital spending and commercial borrowing.
- The links with the Brand research / Brand Strategy and the importance of clear messaging.
- The location of the College sites and the potential difficulty of access on public transport.

- The links with the other College Strategies such as People and Sustainability.

**Action: JC and SMC to follow up regarding information session on transport ticket options.**

**Action: JC and VB to follow up regarding Estate Strategy.**

*The verbal update was noted.*

## **F/263 7. Finance Report**

JC noted that there were two reports included under this item: the April 2024 Management Accounts and the May 2024 Management Accounts.

JC focussed his verbal presentation on the May 2024 Management Accounts and highlighted the following:

- The accounts showed Good financial health, bank covenants were being met, and there were healthy cash reserves in place.
- There was caution noted around the forecast operating surplus with there being a number of factors to come to fruition by the year end. This was mainly attributed to adult education enrolment and bootcamps.
- The awarding body for PlanBee apprentices had indicated they didn't have capacity to complete any End of Year Assessments (EPAs) for apprentices in July 2024, and therefore these EPAs would move into August which would impact funding associated with positive outcomes. This funding would move into the new financial year.

JC noted that the June 2024 Management Accounts would be provided after the month-end, and these would be circulated to the Committee in July 2024.

**Action: JC to circulate the June 2024 Management Accounts via email.**

The full year end position would be reported at the September 2024 meeting.

**The Committee discussed and queried the following:**

- A potential worst-case scenario if the forecast operating surplus would not be achieved – JC advised that he believed the College would at least deliver the budgeted surplus.

The Committee **questioned** the impact on financial health as defined by the ESFA and JC confirmed that this would remain as Good. JC provided reassurance of minimal risk to the Colleges financial health and impact to loan covenants.

- The differences between achieving a financial health grade of outstanding vs good, and what this would mean for the College. The Committee was cognisant that the College did not wish to simply generate cash and instead wanted to reinvest into the learner experience.
- Any consequences of the reclassification of colleges into central government and if financial benchmarks would likely be revised – it was noted that there was a possibility of this. There was a possibility that from summer 2025 cash could become regulated by central government however there was no further guidance to suggest this was being put in place at the present time. The decision to reclassify colleges into central government was a risk on the strategic risk register and continued to be monitored.

- The speed with which managers were able to highlight potential risks to revenue – it was confirmed that funding streams were monitored closely by the Executive Team with frequent meetings to consider the flexibility and adaptability within the budget. It was also noted that operational level risks were considered within teams and as part of the Operational Risk Management group.

The Committee **noted** the positive financial position, close tracking to budget and level of collaborative working across the College.

The Committee **approved** the May 2024 Management Accounts for presentation to the Board.

***The report was noted.***

#### **F/264 8. Financial Regulations Update**

JC presented the report, noting that the Financial Regulations had been updated following publication of the Colleges' Financial Handbook. The report set out the changes proposed.

The Committee **recommended** the Financial Regulations for Board approval.

**Action: NT/JC to process the Financial Regulations for Board approval.**

***The report was recommended.***

#### **F/265 9. Strategic Risk Register**

JC presented the report and highlighted that there had been changes to the previous report in terms of scoring, however the College had worked to ensure that the differences between current and future mitigating actions had been clarified where risks were marked as to treat.

The College Operational Risk Management Group continued to meet on a termly basis.

The Committee **discussed** the recent influx of cyber-attacks and reiterated the importance of having the basics in place to prevent attacks where possible.

The Committee **discussed** potential risks relating the manifestos of the election candidates, specifically the longevity of different provision types and potential changes in focus.

***The report was noted.***

#### **F/266 10. Draft Board Calendar and Terms of Reference**

NT presented the draft Board Calendar and Terms of Reference. In relation to the Terms of Reference, there were only minor suggested changes for 2024/2025, following the Terms of Reference being re-written for 2023/2024.

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

***The report was recommended.***

**F/267 11. Any Other Business**

N/A

**F/256 12. Date of the next meeting**

The date of the next meeting was confirmed as 27 September 2024 at 9am.