

Minutes of the Transformation, Finance & Resources Committee meeting held (by Microsoft Teams) on Friday, 25 September 2020 at 8.30am

Present:	David Boughey, Chair Denise Brown, Principal & CEO Jeremy Cartwright Andrew McKay		
In Attendance:	Maxine Bagshaw, Clerk to the Corporation Antoinette Lythgoe, CFO Peter Sherry, Managing Director Commercial		
Min. No.		Action by Whom	Action by When
1	DECLARATIONS OF INTEREST		
	The meeting Chair reminded everyone present to declare any interests that they may have on matters to be discussed. No declarations were specifically made and standing declarations were noted.		
2	APOLOGIES FOR ABSENCE		
	Apologies for absence were received from Stephanie Talbot and Jason Carrigan.		
3	MINUTES OF THE MEETING HELD ON 26TH JUNE 2020		
	The minutes were reviewed and it was agreed that they were an accurate record of discussions. AGREED: to approve the minutes of the meeting held on 26th June 2020.		
4	ACTION PROGRESS TRACKER		
	The Committee considered the update provided and a number of aspects were particularly discussed: <ul style="list-style-type: none"> Line 4 – Project Ofsted group reporting to take place at CQ&S rather than both CQ&S and TF&R Line 5 – Transformation Plan progress – the CEO confirmed that an update to the plan is scheduled for the 		

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	<p>October Board meeting and thereafter it will be available for this Committee to monitor progress.</p> <ul style="list-style-type: none"> Line 7 – governors met earlier in the week to review the Marketing Strategy and had a fulsome conversation. A full report will be prepared for the next meeting of this Committee. Line 11 – electrical testing has taken place at the Taylor building, with all works required now been completed and certified. The Committee were advised of a further electrical matter to be discussed later on the agenda as part of the wider discussions regarding the estate. <p>AGREED: to note the content of the update provided.</p>	CEO	27.11.20
5	SUBCONTRACTING		
	<p>The Managing Director Commercial introduced this item and explained that his report covers two aspects, these are:</p> <ul style="list-style-type: none"> Contract allocations 2020/21 requiring Board approval, and Subcontracting rationale <p>He confirmed that the College currently has two subcontractors only, these are:</p> <p>1) Steelworks – key matters noted were:</p> <ul style="list-style-type: none"> Steelworks has been a successful training provider in the area for many years and has very positive outcomes for students Their focus is dance and drama The College has embedded relationships with the subcontractor They give learners a really good experience, with great opportunities and positive progression A really good partnership for the College Due diligence has been undertaken in terms of both finance and quality. In relation to the latter, the Heads of Learning have been involved more this year to ensure alignment with the curriculum This is a real partnership <p>2) NSEG – key matters noted were:</p> <ul style="list-style-type: none"> The partnership allows a great opportunity for the College to work with the employers they are aligned to They offer tailor made programmes for employers A great example of a real partnership which is wider than the subcontract The College is looking to extend the relationship even further e.g. Traineeships. The subcontract providers broader benefit to employers and learners 		

<p>He confirmed that subcontractor guidance is updated regularly and provided assurance that he and the team are working with legal advisors to ensure activity is fully compliant and this includes an update to the contract this year.</p> <p>A question from one member of the Board was whether or not the prices agreed are fixed i.e. is there a value per learner. The Managing Director Commercial confirmed that the College retains a 20% management charge and that the difference in values relates to the differing volume of learning being delivered by the subcontractor. It was explained that Steelworks provide the full programme whereas NSEG only provide part. In general terms it was explained that, funding for engineering training is one of the higher band rates.</p> <p>The Committee asked whether contracts are agreed year on year or are there future year projections. It was explained that the contracts proposed are initial contract values and may increase during the year. Generally, the College does not forward plan subcontracting activity and it is reviewed regularly. It was explained that the 20% retained covers a number of aspects and activities including quality assurance, relationship management etc. and the contract specifically outlines what the College will do for the 20%.</p> <p>The Committee acknowledged that the College no longer offers dance and drama therefore this provision would have to be subcontracted. In terms of engineering the Committee saw that, as the College does deliver directly itself, what then influences the decision to subcontract. Committee were advised that any decision on subcontracting is influenced by the curriculum and what is best for the learners and employers. NSEG deliver specific units where they have the expertise. Staff availability and staff expertise is also an influencing factor. It was confirmed that the relationship with NSEG helps to develop the curriculum and provides a cost effective solution that has collaborative benefits.</p> <p>The CEO confirmed that the College engages with subcontractors with a view to, over time, building up its own expertise and level of delivery. An example given was adult provision that historically was subcontracted to GB Training but the College has been able to now grow its own curriculum and delivery capacity and therefore does not need to use this subcontractor.</p> <p>The Committee asked whether the activities undertaken with subcontractors is on the basis of positive cash flow. It was explained that this is not necessarily the case as the College pays on a monthly basis, however the ESFA pays on a profile. It was acknowledged that the College can review this internally however there would be an impact to subcontractors in terms of their cash flow and salary payments to staff.</p>		
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	<p>The Committee considered the proposals and were happy to recommend the contract allocations as presented to the Board.</p> <p>AGREED:</p> <p>a) To note the content of the update provided</p> <p>b) Recommend that the Board approve the proposed contract allocations for 2020/21 as presented.</p> <p>(Peter Sherry left the meeting at 9am)</p>		
6	2019/20 Year End Forecast		
	<p>The CFO introduced this item and drew the Committees attention to the key highlights, which are:</p> <ul style="list-style-type: none"> • The operating deficit is £368k against an original budgeted deficit of £645k and a revised update deficit of £686k • There are no material changes to the July 2020 management accounts, as at mid-September, other than the inclusion of the cash sweep liability which is to be explained in more detail later. The results of the data cleansing exercise are not yet available; therefore, it is not possible to state with any clarity the extent to which this could change the Colleges outturn for the year nor the forecast for 2020/21. The quality and apprenticeship teams have advised that results will be known by mid-October. • The College's financial health is forecast to improve from 'requires improvement' in the original 19/20 financial plan to 'outstanding' before the impact of the cash sweep. The cash sweep will reduce the Colleges 2019/20 income with the result that the financial health measure is anticipated to be 'good'. • The College is confident that all bank and PMO covenants have been met in 19/20 and the bank has been informed of the potential cash sweep breach in 20/21. • Cash at 31st July 2020 was £2.6 million. This compares to a PMO model expected cash position of £1.6 million. This position is still to be confirmed. If £1.6 million is established as part of the final agreed financial model (the lockdown or base case model) then the College will have a liability of circa £500k in respect of 19/20 alone for excess to be returned to the PMO. A further liability of an additional £500k in respect of excess cash for 20/21 is also likely to be included in the accounts. However, the payment of either of these potential liabilities is likely to trigger a breach of bank covenants and, under the terms of the RF deal a breach of bank covenants would result in the delay to the recovery of funds by the PMO. This is another matter the College is seeking to discuss with the PMO. 		

	<ul style="list-style-type: none"> Subject to any further changes and final testing of the cash sweep impact the College has met the financial KPIs, FEC benchmarks and PMO targets. <p>The Committee discussed the update and noted that the cash sweep maximum liability is circa £1 million over 2 years. The CFO advised that, other than this, there are no significant changes to the July management accounts. There is a little amount for holiday accrual but nothing significant. Deficit position now forecast before cash sweep is £260k.</p> <p>The CFO advised that her team were almost ready with version one of the financial statements and that they will be prepared in good time to be audited, however the final position is subject to clarification regarding cash sweep testing. She confirmed that external auditors are happy with all of the intended accountancy treatments and therefore this should lead to a smooth audit.</p> <p>AGREED: to note the content of the update provided.</p>		
7	2019/20 PERFORMANCE MEASURES – PROGRESS REPORT		
	<p>The CEO advised that, because of COVID, the College does not yet have finalised achievement data and therefore a confirmed position cannot be provided. She indicated that, in the interim, the College will work with a draft set. She advised that there were a number of courses which were challenging as the AO's reviewed what assessments were required and how, particularly impacted were Hairdressing and Beauty Therapy as well as gas qualifications, some construction qualifications and functional skills, where City & Guilds were the AO. She confirmed that the College was currently working to complete the last assessments and then the full achievement picture can be reported.</p> <p>AGREED: to note the content of the update provided.</p>		
8	ANNUAL REPORT TO THE PMO		
	<p>The CFO explained that the College is required to submit an annual report to the PMO as part of the RF deal. The report is due to be submitted by 31st October 2020 and will address</p> <ul style="list-style-type: none"> The overall progress against the outcomes listed in the grant agreement, and Process systems and control changes in support of continuous improvement <p>The report will be produced in the same format as the report in 19/20 as the feedback was that it was very comprehensive. The CFO advised that it had not been possible to complete the return in advance of this meeting and it was agreed therefore that it would be provided directly to Board at their October meeting, with the CFO to talk through the position with the full Board.</p>	CFO	09.10.20

Signed : _____ Chair

Date:

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	AGREED: to note the content of the update provided.		
9	2020/21 ENROLMENT UPDATE		
	<p>The CFO provided a verbal update and key matters noted were:</p> <ul style="list-style-type: none"> • There are 1601 active full time 16-18 year olds against a target of 1612, therefore only 11 short • There are 193 19+ full time study programme learners • Total learners (16-18 and 19+) is 1794 • College position at this time in the prior year was 1445 and therefore a significant increase • One to ones are currently taking place with all Heads of Learning and the start of the year position is being reviewed. There are areas of over recruitment and also areas of under recruitment. • Numbers in Hair and Beauty are buoyant with hairdressing in particular seeing a spike. 160 enrolled against a target of 130. This includes a new barbering course which has a full group of 20. • Engineering has grown significantly and the College needs to recruit extra staff to respond. There is a healthy Level 3 cohort and good numbers at Level 2 which bodes well for progression next year. • The College has seen a substantial growth in construction and trades, with bricklaying having 100 learners against a target of 60. • Media and gaming has grown at Level 3 • Areas for development next year are Science and IT • In terms of adult provision, Science has grown significantly. Access to HE has a waiting list. The College could start more learners but staff capacity is the issue and this is being reviewed. • All in all a really good year in terms of recruitment • ESOL numbers are slightly down, however it is believed that COVID has had a negative impact in this area • Health and Social Care numbers have grown beyond plan • College not yet seeing a migration from apprenticeship provision to study programmes, with apprenticeship numbers also looking positive • As a starting point the College position is very positive. <p>The Committee asked how well the College understands why this is the case. Staff expressed the view that there were likely to be two key factors, these are:</p> <ol style="list-style-type: none"> 1) The improved start of the year processes which have helped 2) Community feel that the College is a COVID safe environment <p>In terms of other College recruitment, anecdotally it is believed that Newcastle under Lyme made a good start to the year,</p>		

	<p>however they have had some bad press recently and the College is receiving enquiries regarding transfer learners.</p> <p>The Committee asked whether the College was starting to see any issues emerge regarding assessed grades versus exam outcomes. It was confirmed that in some areas there are issues coming to light. The College has done a really thorough initial assessment and is finding that some students who secured a grade 4 at GCSE, as part of the assessment process, are actually working/functioning at a grade 2 and therefore the College will need to be careful to consider how to support them. Contributing factors to this are thought to be grade uplift and also the fact that these students have been out of learning for six months.</p> <p>The Committee were advised that progression and value added is measured against the grades that they arrive with and therefore it is going to be important to explain this carefully within the SAR and also at the point of the next Ofsted inspection.</p> <p>The CEO confirmed that progression through auto-enrolment has been very successful. There have only been 80 learners who have withdrawn and of these 30 were errors/double counting, and therefore in reality only 50 have withdrawn.</p> <p>It was confirmed that the apprenticeship position is quite buoyant and the College feels that it is getting its fair share of the market, however it was acknowledged that this may change given the end of furlough and change in government guidance.</p> <p>The Committee congratulated all staff for smoothing out the start of the year and it was acknowledged that this has been a problem for the College in recent years. The CEO indicated that she was cautiously optimistic, however the challenge now is to maintain and build upon the great start. It was confirmed that additional recruitment of in year learners is required to secure growth in future year allocations.</p> <p>The CFO advised that a short enrolment survey was completed with the College scoring 8 out of 10, which a real improvement on the prior year. Influencing factors/changes made included:</p> <ul style="list-style-type: none"> • Saturday opening • Cauldon and Burslem campuses open on the same day • Full time progressors enrolled early • Staff briefing regarding enrolment provided early <p>On the whole there is very positive feedback from staff, particularly that they had found the process less stressful than in prior years.</p> <p>AGREED: to note the content of the update provided.</p>		
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10	<p>2020/21 FINANCIAL UPDATE</p> <p>The CFO introduced her report and confirmed that this summarises what is likely to change and is on the basis of what the College now knows that it didn't when setting the budget. Key highlights are:</p> <ul style="list-style-type: none"> • Expected receipt of £804k in September 2020 for building condition funding. This is funding to address remedial work in 20/21 to upgrade the condition of the College estate. It is intended to be spent or committed by 31st March 2021. The funding can also be used for IT infrastructure expenditure. It is believed that the College can use funds to upgrade the WiFi but replacement of laptops is unlikely to be covered. The Committee were advised that the DfE has requested a meeting as they are looking for 'shovel ready projects'. The position of the PMO regarding potential inclusion in any cash sweep, if funds cannot all be spent by 31st March, is not yet known and clarification is being sought in relation to this. • The College will receive an additional £327k for 16-19 tuition support funding. The national 16-19 tuition fund is £96 million, a one off fund for the 2020/21 academic year only. It is ring fenced funding for schools, Colleges and all other 16-19 providers to support small group tuition for students in English, Maths and other courses where learning has been disrupted. For example, vocational courses where assessment has been deferred because of lockdown. Tuition is to be provided in groups of no more than five learners and, in real terms, it will be cash in cash out as additional staff costs will be incurred. • The Committee were advised that, in areas where there has been over recruitment there are some staff challenges and that it is not necessarily possible to transfer staff from the areas where there is under recruitment. CFO advised that the College is recruiting on a temporary basis pending the 42 day confirmation. • Staffing costs are likely to increase in line with the funding and also due to the temporary increased security presence to check that staff and students are recording themselves entering each building as part of the Colleges track and trace process. Subject to affordability the College has also agreed to appoint an interim Head of Apprenticeships which was not in the budget. • The Chief Human Resources Officer is preparing a 'Pay Principles' paper for consideration by Board. Aim is to have this completed by December 2020 and will include suggestions on how to address the significant pay challenges in the College. The College aim is to address the most significant issues either in 20/21 or 21/22. • The Colleges cash flow forecast will change based upon the known additional income/funding and also the impact of any cash sweep payment. 		
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	<p>The CFO advised that the significant issue for the College is the cash sweep, with potential value of £516k for the financial year ending 19/20 and £494k for the year ending 20/21. The CFO indicated that she has not yet been able to have a fulsome conversation with the PMO, however to date they have taken a 'hard line'. CFO advised that she has spoken to Robert Griffiths who completed the model for submission to PMO and also Catriona Wood who was engaged as an interim finance officer. Conversations with both would seem to indicate that there is an opportunity to challenge the PMO's position and the College is taking legal advice in relation to this. The Committee agreed that, given the size of the potential hand back, it was appropriate to undertake a review. It was acknowledged that there is evidence to show that the PMO monitored the College in 2019 and before on different figures than what they are now saying is the base case or lockdown position. It was confirmed that there is no historic record of agreeing the model that the PMO is now relying on.</p> <p>The Committee were advised that COVID has contributed to the College having more cash than forecast, examples given were in relation to staff vacancies that were not filled and also lower none pay costs. The Committee were advised that, quite surprisingly the PMO have described COVID as 'not exceptional'.</p> <p>In relation to the building condition funding one member of the Committee asked whether the College has a project ready that would generate revenue. CFO advised that the conditions of funding require the spend to be on buildings in condition B, C and D. A conditions survey was commissioned in July 2019; however, it would appear that the interim consultant engaged at that time, did not share with senior staff and Governors and it only came to light in March 2020.</p> <p>The CFO advised that there are a number of building issues that need to be addressed e.g. leaking roofs. It was noted however that potentially Colleges will be able to apply for more capital funding in the future as it is released.</p> <p>AGREED: to note the content of the update provided.</p>		
11	RISK REPORT		
	<p>The CFO introduced this item and confirmed that her focus for this meeting has been on financial risks where there are known changes. There were a number of areas particularly discussed on the register:</p> <ul style="list-style-type: none"> • Line 2 – the Executive Director of Finance will now attend QRR meetings throughout 20/21 • Line 3 – now includes the cash sweep risk • Line 4 – the PMOs interpretation of the agreement 		

	<p>reached is now added as a risk</p> <ul style="list-style-type: none"> Line 10 – there is an additional risk in relation to capital funding <p>The CFO advised that the risk register now refers to the rapidly changing government advice regarding COVID, although there is a COVID-19 working group in place to try and mitigate the risk. That said, it remains RAG rated red although the College is doing what it can and is using best endeavours.</p> <p>IT investment needed remains a red risk with a need to address the historic lack of investment. Committee were advised that IT staff recruitment is a challenge and team stability is a risk given recent staff changes.</p> <p>When considering the document as a whole a challenge from the Committee was that in a number of areas the 'monitoring arrangements' need further expansion and detail. A further challenge from the Committee was to be aware of the significant risks regarding cyber-attacks which are ever more prevalent. College position cannot be just about stopping a virus and it needs to go much further than this. The Committee indicated that the College cannot just focus on prevention but also has to consider the ability to recover should an attack occur. The CFO provided assurance that this is at the forefront of the teams' mind.</p> <p>Committee were advised that pay remains an issue within the College. Whilst there was a nonconsolidated increase in July 2020 this doesn't go far enough. A Pay Philosophies and Principles report is being developed and will include a job evaluation process. The College is hoping to pay a further award in 2020/21, however the College can only do that if it has the cash available.</p> <p>In relation to line 16 the CEO confirmed that she was working to ensure maximum impact of the marketing strategy.</p> <p>It was confirmed that the College is still using the risk matrix and appetite previously agreed and it was noted that the risk register is reviewed in detail by the Audit Committee at each meeting.</p> <p>AGREED to note the content of the update provided.</p>		
12	ESTATES REPORT		
	<p>The CFO presented this item and an update was provided in a number of areas.</p> <p>1) Estates strategy – she advised that this is now two or three years old and therefore is due for a review and will</p>		

	<p>3) Burslem – in relation to the boundary dispute she confirmed that a counter proposal had been made to settle the position regarding costs. AAT moved out of the site in the summer, although final position confirmation and handback of the lease still requires DfE confirmation.</p> <p>4) Room utilisation – the CFO explained that this was information requested by the FEC and has been provided up to March 2020. Data shows that the enterprise hub is the most utilised building at 68% and the least used being D Block at 16.7%. With the exception of F Block all other buildings are 50% or higher. She confirmed that space will be reviewed as part of the estates strategy update.</p> <p>In general discussion it was confirmed that the sale of the grassed area at Burslem will not affect space utilisation calculations. The Committee were asked to particularly consider the two plans and the brochure provided. It was acknowledged that any sale proposal would need Board approval and it was agreed that this would be scheduled as an agenda item for the October meeting.</p> <p>5) Capital Projects Committee</p> <p>The Clerk introduced this item and explained the basis of the proposal and it was confirmed that the aim is to have this Committee report directly to the Board. It was agreed that the CEO would be a member of the Committee and the CFO would be the reporting officer. It was acknowledged that the establishment of this Committee is to provide a specific focus and reduce the time needed at TF&R. The Committee considered the sample terms of reference proposed and it was agreed to move forward with the WNC model. They asked that the Capital Projects Committee review this and make recommendations to the Board after their first meeting on 13th October 2020.</p> <p>AGREED:</p> <p>a) To note the content of the update provided</p> <p>b) Support the proposal to establish a Capital Projects Committee with members being Julie Obada, Sue Blake, Denise Brown and Andy McKay plus one external co-optee.</p> <p>c) Request that the group review draft terms of reference and then make recommendations to the Board for approval.</p>	CFO	9.10.20
13	DATA PROTECTION POLICY		
	<p>The CFO introduced this item and confirmed that this policy was last reviewed in June 2019. Current review outcome is no changes proposed as it remains fully compliant and in line with</p>		

	ICO guidelines. AGREED: to note the content of the update provided.		
14	AOB		
	There were no items of additional business.		
15	DATE AND TIME OF NEXT MEETING		
	This was confirmed as 27 th November 2020 at 9.30am (immediately following the joint meeting with Audit Committee)		
16	CONFIDENTIAL MINUTES OF THE MEETING HELD ON 26TH JUNE 2020		
	The minutes were reviewed and it was agreed that they were an accurate record of discussions. AGREED: to approve the confidential minutes of the meeting held on 26th June 2020.		
17	FEC STOCKTAKE VISIT		
	It was noted that the next stocktake visit will take place on 1 st October 2020. CEO confirmed that all required papers have been submitted in advance. It was agreed that Governors participating in the visit would have access to this and that a briefing had been arranged for 29 th September 2020. The CEO advised that the College could potentially also have an Ofsted monitoring visit and she provided assurance that the College was well prepared for this. AGREED: to note the content of the update provided. Meeting closed at 10.40am.		

Signed : _____ Chair

Date:

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