Meeting/Committee	**Finance Committee**
Date of meeting	Wednesday 26th January 2022 at 5pm (via Google Meet)

1 Welcome, introduction and apologies for absence

Attendees:

Janet Pryke	Chair
Rob Lawson	
Jason Austin	
Margaret Cobb	
Monika Rodzos	
Ian Sackree	

In attendance:

Maxine Bagshaw	Director of Governance
Gavin Teasdale	Interim Executive Director of Finance
Phil Curtis	Executive Director of Finance
Tony De'Ath	Executive Director of Corporate Services
Jane Hartog	Executive Director HR, Organisational Development and Marketing

Apologies for absence

Apologies for absence were received from Jenny Worsdale.

Phil Curtis was welcomed to his first meeting.

2 Declarations of interest and eligibility

The Chair requested that governors declare any interests at the appropriate time during the meeting. No specific declarations were made and standing declarations were noted.

3 Minutes of the meeting held on 23rd November 2021

The minutes were reviewed and the Director of Governance highlighted the fact that, outside of the meeting, a couple of suggested changes had been made in terms of date accuracy and also phraseology. It was agreed that updated minutes would be provided to the Committee Chair for final approval and signature. Other than the points raised outside of the meeting, remaining committee members were happy to confirm the accuracy.

AGREED: to delegate authority to the Committee Chair to approve and sign a final version of the minutes of the meeting held on 23rd November 2021.

There were no matters arising.

4 Action progress report

Committee were happy to note the content of the update provided.

5 Minutes of the joint meeting held with the Audit and Risk Committee on 2nd December 2021

Committee reviewed and confirmed that they were happy with the accuracy and it was agreed to share a copy with the Audit and Risk committee as well for any feedback on the content.

AGREED: to note the content of the joint meeting minutes with the Audit and Risk Committee held on 2nd December 2021.

6 Covid-19 update

The CEO provided a verbal update and he confirmed that there had been a specific call with the ESFA last week on this, with the intention that they gather intelligence regarding any sector concerns. Matters highlighted by RNN were:

- Staffing availability, particularly in the first two weeks of the month given the number of individuals who either tested positive for covid or where self-isolating.
- Absence particularly impacted staff in the Maths and English department and the learner experience team.
- Wherever possible absences were mitigated by online/blended learning models.
- There were some High Needs students who were unable to access the full suite of support because of staff absences and inability to deliver face to face.
- Ongoing transport strike in the area has also impacted upon student absence.

As an overview he confirmed that, whilst the circumstances have been challenging the college has in the main been able to continue. College has not been undertaking/facilitating vaccinations recently but are supportive of the vaccine programme. Guidance is due to change on Friday regarding expectations on face coverings, however RNN is adhering to guidance received from public health in a letter last week and is continuing with face coverings in communal areas. He indicated that there is a mixed picture regarding the requirement for face coverings in the sector but RNN will continue with the requirement/request to have them in place in communal areas. CEO confirmed that classrooms are not considered to be communal areas but that students will always be given the choice.

In relation to the transport challenges highlighted, a question from one member of the committee was in relation to how many students had an issue and whether or not the college was able to offer remote learning as an alternative. CEO advised that the strike action has impacted upon attendance and punctuality and that the overall average attendance figure now is 81%. He described it as generally disruptive but it is believed that the issue is now resolved.

AGREED: to note the content of the update provided.

7 HR Items

The Executive Director for HR, Organisational Development and Marketing drew the committees' attention to her detailed report and provided an update on two aspects.

1) Staff voice – key matters highlighted were:

- Staff voice initiatives started in 2019 and there are now 21 staff representatives involved.
- Staff voice meetings take place every 6 weeks and discussions follow an agreed agenda and minutes are created so that anyone who is unable to attend can fully see the nature of debate.
- College is in the process of setting up staff representative bios on the portal so that every member of staff knows who the reps are. This is very much an opportunity for two-way communication.
- Not all members of staff are union members and therefore this is an important method of communication.
- Staff rep meetings cover much broader topics than would be the case with discussions with unions.
- College is confident regarding gender and ethnicity representation.
- This group were crucial when the college was reviewing and introducing the new vision and values and reward and recognition programme.
- This group are a really useful sounding board to test the temperature of the organisation.

In terms of the mix of staff who are part of the group, a question was whether or not there is someone from every part of the organisation. It was confirmed that there are but it was noted that curriculum staff, in particular, do struggle to attend a number of meetings because of commitment/work load.

2) Hybrid working – key matters highlighted were:

- Policy was introduced in November 2021 and it was acknowledged at the time that it would not be easy to introduce.
- Policy has been taken to unions and they have agreed it.
- Steps have been taken to introduce informally.
- Workshops were hosted this week to take feedback from managers on how it is working. Feedback was mixed and it is clear that the view is that 'one size does not fit all'.
- Whilst feedback has been mixed there is an acknowledgement that flexibility has to be introduced for a number of reasons, including wellbeing and supporting staff recruitment.
- The most challenging area to introduce has been in relation to curriculum staff whereas in all other areas there is a hybrid operating in some form or another.
- Following feedback it is clear that there needs to be a distinction/difference between 'performance issues' and the impact of hybrid working. Those staff who are hybrid working need to be sitting at a desk at home in exactly the same way that they would be in the office i.e. same ability to make contact and perform their roles.
- Next step is to complete some pulse surveys and thereafter a guidance note will be issued and management training provided.

AGREED: to note the content of the update provided.

8 Yearend 2020/21 – confirmed final position

The interim Executive Director Finance confirmed that all of the yearend documents are now ready for signature. He reminded that they were reviewed in detail by the board at the December 2021 meeting and that delegated authority had been provided to the Chair to sign if there were no material changes. He advised that the AEB clawback appeal had not been successful and therefore there were no changes to the numbers and the content of the accounts previously reviewed. There were small changes to the going concern statements but he explained that these were not significant. Expectation is that all documents will be finalised and signed ready for submission tomorrow.

AGREED: to note the content of the update provided.

9 Management Accounts – December 2021

The interim Executive Director Finance presented the detailed document and key matters highlighted were:

- For the month the Group is ahead of budget by circa £300k which is positive.
- Group is continuing with the original forecast in relation to ESFA and AEB income targets.
- There are some income variances – ESFA is on profile however AEB has a shortfall but there are some pay savings to offset this as a result of a shortfall on activity and staffing vacancies. Therefore, the position remains better than anticipated for the quarter.
- In relation to KPIs, the forecast for financial health calculation is 160 which is 20 points behind a good. Committee were reminded that 170 points or less is requires improvements. A new calculation is being proposed by the ESFA and, if this is used, the financial health calculation for 2020/21 would be outstanding and for 21/22 potentially the Group could get to good.
- Cash flow position reported on page 7 shows that the group is more or less on budget, however the anticipation is that the group will be £1 million down against yearend. This is mainly due to an increase in finance leasing and the clawback – all of which has now been confirmed and included within the I&E and cashflow calculations.
- Variances relate to the £1.5 million clawback and also circa £373k reduction due to covid.
- Report on page 8 confirms that all covenants are currently being met, however committee were advised that the position does get 'tight' in some areas and therefore it may be advisable to speak to the bank to try and reduce the impact of the clawback i.e. reduce the loan amount. He reiterated however that all covenants are currently being met.

A challenge from one member of the committee was that at July 2022 the Group looks to be very close to the EBITDA covenant. Interim Executive Director of Finance indicated that this is the situation if no mitigation and/or management is taken regarding cash flow but that there are plans. Group will start to repay the ESFA in February rather than January which immediately gives £100k headroom. Group can also manage creditors.

In considering the balance sheet, one member of the committee asked whether the budget and forecast presented was the December 2021 position or the yearend. It was confirmed that it is yearend.

Interim Executive Director Finance then provided an update in relation to subsidiary companies.

1) RES Limited - key matters highlighted were:
- This company is a mechanism for engaging temporary and short term staff
- Mainly it is 'money in and money out', however there are occasional timing difference which will explain the variances seen within the accounts at certain points in the year.

2) NFPC – key matters highlighted were:
- The accounts show a cumulative position
- Currently £13k better than budget
- Income is £76k above budget
- There are income and cost variances but it is anticipated that the year end may be stronger than originally envisaged, which will impact upon both income and costs.
- There remain risks associated with covid and particularly this company is sensitive to any future lockdowns.
- As an overall position, the company is maintaining current budget but it is hoping to deliver a stronger year than envisaged

Committee were advised that the NFPC Board of Director are meeting tomorrow and therefore should be able to discuss in more detail the forward focus and thereafter give feedback to the college board at the February meeting.

Interim Executive Director Finance confirmed that there were no proposals at this stage to amend the Group budget and confirmed that this was on the basis of a continuing prudent position and also a review of curriculum with all budget holders.

A challenge from the committee was that AEB is a high-risk area in terms of maximising the budget/allocation and that this needs to have continuing focus and scrutiny.

AGREED: to note the content of the December 2021 Management Accounts as presented.

10 AEB Finance Report

The interim Executive Director Finance presented the detailed report prepared and key matters highlighted were:

- Budget for the year is £7.862 million and current position is £2.87 million.
- College is managing and monitoring the position very carefully.
- These are not the same numbers as appear in the management accounts given the timing differences.
- Current level of subcontracting is 21.3% against an ESFA limit of 25%. Expectation for yearend is 23.5%
- There are a number of initiatives underway to increase the level of AEB activity, including:
    - At Dearne Valley campus - in year additional provision regarding construction
    - Rotherham campus - extended adult offer in relation to creative and digital

- A review of welding
- New provision e.g. CadCam
- At North Nottinghamshire campus - a broad suite of vocational areas and intensive provision to allow multiple starts
- Adult employer responsive through DWP and Bassetlaw District Council
- Increase in the adult offer at the Retford Post-16 Centre
- New adult marketing campaign which has a committed budget of £30k.

Committee were advised that there is quite a lot of pressure to spend the AEB at level 3 and it was explained that there are particular regional factors affecting this, but that it is also wider. College is currently projecting £6.2 million if it delivers everything which would therefore be a £600k shortfall. Of the allocation £4.5 million is from SCR and £2.4 million from ESFA. All current subcontracted activity is via the SCR budget and is 21.3%. College currently does not subcontract any activity in the D2N2 area and there may potentially be opportunities in relation to this. CEO advised that the college has spoken to the ESFA regarding subcontracting percentages and they have agreed that the college can look to offer more in the D2N2 area. This has to meet local need and be meaningful contracts. College does still deliver in the D2N2 area to meet local demand but it is not through subcontracting.

In general discussion, committee all acknowledged that it was important to maximise delivery to protect funding for the local area and therefore all options need to be explored. Interim Executive Director Finance indicated that if there is an expected shortfall then the Group will mitigate via cost savings.

An observation made by one committee member was that in the management accounts £1.8 million is recognised against an allocation of £7.2 million and they asked where the college was at the same point in the prior year and how this then translated to the yearend outturn. Interim Executive Director Finance indicated that, in terms of profile it was more or less the same as the prior year, however the risks are being recognised much earlier and there is a specific AEB director in place which gives more of a focus when compared to prior year. Challenge from the committee was that there needs to be very careful tracking of the cash sensitivities in relation to this.

The CEO expressed the view that there is now much more robust tracking that takes place since the appointment of the Director of Adults and Education which includes a reforecast to the accounts to allow for the September to December 2021 position as a result of Omicron and the costs of dedicated marketing. He confirmed that there are increased resources committed this year, although Level 3 recruitment still remains a challenge.

One member of the committee asked how successful the marketing campaign is. It was explained that recruitment is picking up at the North Notts campus but that it is too early yet to see significant evidence in terms of impact. One member of the committee asked whether the subsidiary company NFPC delivers AEB, CEO advised that not currently and that it is more of a specialist area of provision.

In terms of subcontracting percentage maximums, it was confirmed that the ESFA seem open to a formal request to increase from 25% but that this is on the basis that additional activity is in the D2N2 area. Challenge from the committee was that it is critical to monitor the likely or potential shortfall and work quickly to address this. A challenge and observation made by one member of the committee was that the subcontracting market is likely to very competitive for all colleges, and therefore subcontractors can pick and choose and therefore it is important not just to assume that subcontractors will be available.

Committee asked what the current position as in relation to existing staff utilisation. CEO advised that the college is understaffed in the areas of specific need, and an example given was construction. Staff that are in place and delivering AEB are fully utilised. All agreed that the college needs the right people in the right roles to be able to successfully deliver this.

AGREED: to note the content of the update provided.

11 Subcontracting Report 2021/22

Interim Executive Director Finance presented the summary report and highlighted a number of points:

- Information provided is based on the R05 return.
- There continues to be quality reviews. In relation to AEB and ACL activity there have been rigorous initial performance reviews including a deep dive regarding Intertrain. There have been walkthroughs and dip dives for all other subcontractors.
- There are no significant quality concerns regarding any of the subcontractors providing AEB and ACL activity.
- In relation to apprenticeship subcontracting, there are a number of quality concerns and the college is taking appropriate intervention measures
- In relation to ACL activity it was explained that the college acts as a 'post box' with no management charge, however this is being reviewed for 22/23.

AGREED: to note the content of the update provided.

12 Risk Report

Interim Executive Director Finance presented the detailed report and summary points highlighted were:

- Strategic risks are similar to the last report however, as requested a risk has been added in relation to the death to the Head of State (under strategic and critical incident section), however at this stage it is difficult to fully articulate risks associated with this in terms of income and costs. This is subject to continuing review.

A challenge from one member of the committee was to ensure that the 'person responsible' is updated in the document i.e. Phil Curtis to replace Gavin Teasdale. An observation made was that some of the dates in the documents now also look out of date and it was agreed that they would be reviewed to reflect 2022 rather than 2021. Committee accepted that it is a living document and is subject to regular review. Committee were reminded that the full risk register and accompanying report is presented to the Audit and Risk Committee at every meeting.

AGREED: to note the content of the report provided.

13 Curriculum Plan 2021/22 – a review of current contribution analysis

It was explained that this report is an overview and includes detail regarding income expectations, direct costs and consumables. 45% contribution is in the plan however current analysis suggests it will be closer to 43%. Risk is that a shortfall in contribution could impact upon EBITDA.

In considering the information provided the committee asked how this figure correlates with confidence regarding the yearend position as there is a significant gap and they asked what makes up the shortfall/difference. CEO indicated that the curriculum plan does not reflect all of the income streams, for example bids etc. which will go some way to explain the gap. It was agreed that this would be more fully articulated at the next meeting (Executive Director Finance, March 2022).

14 Estates Report

The Executive Director Corporate Services provided an update on a number of aspects, including:

1) Kiveton

- Legals are now at section 106 discussions with Strata
- Intelligence suggests that Strata have obtained planning permission for the site but they do not yet own it which shows significant investment on their part. As a consequence, college is expecting a figure regarding value and yield shortly.
- It would appear that developments regarding this piece of land have moved on from the historical 'stop/start'

2) Carlton/Blythe Road – this continues to stop/start but the college is ready whenever Lidl are.

3) School Lane Langold – formal letters have now been requested

4) Idle Valley – centre is open and is now used more for education. There is likely to be a positive revenue benefit to the college.

5) Dinnington Site

It was agreed that discussions would be recorded on a separate basis.

AGREED to note the content of the update provided.

15 Space availability and utilisation

Executive Director Corporate Services presented the detailed report and key highlights were:

- Report provides the context for the estate changes since incorporation.
- Space availability and utilisation is a key metric but it is challenging to quantify/calculate this given the post-merger position.
- What the college does know is what has been removed and introduced over time and in addition there has been internal remodelling.
- It is a sizable piece of work to model the current estate but when this is done the college will have a starting point and then in year will be able to calculate utilisation.
- Group has to rebase and present the position in the autumn term

- 2021/22 should be the most stable year from which to create a baseline going forward.

Committee asked for a general observation regarding usage and availability i.e. are there any shortfalls or more space than required. Executive Director Corporate Services expressed the view that there is more than enough space, however it is not always used effectively and efficiently, for example timetabling, hours used in the day, weekend activity etc. He indicated that there are peak pressures. Group is also a heavy vocational provider which has a high reliance on workshops. Generally these have high utilisation and are the pressure points and there is lower pressure on general teaching space.

A challenge from the committee was that the college really needs to repurpose and start forward thinking in this area. An observation made was that the college really needs to start taking account of hybrid working and that it is likely that there are some significant decisions to be made going forward in terms of resource.

Committee asked whether expert input was required to obtain clarification and certainty in this area. Executive Director Corporate Services indicated that there may be benefit in some time commissioned from Peter Marsh as this would allow the college to compare with others in the sector.

AGREED: to note the content of the update provided.

16 AOB

As a matter of additional business the Executive Director Corporate Services indicated that the college had today submitted a bid to the D2N2 low carbon growth fund. This is funding to support innovative ideas which will lead to carbon reduction. Bid is based upon solar panels being installed at NFPC and AM2. Bid submission value it £255,358.61. Committee were advised that there may be a requirement to match fund on a 50/50 basis and therefore, if a positive outcome to the bid, it may be necessary to convene a further Finance committee meeting earlier than planned. Committee were advised that there is a 6 year pay back to the investment and spend has to be by the end of 2022. He advised that the investment would support the introduction of technology which would then allow the solar panels to provide direct electricity to the LED lights on the top floors.

Initial feedback is that the total D2N2 fund of £6.8 million is significantly oversubscribed and therefore this may lead to a delay in decisions.

One member of the committee asked for an update in relation to the capital bids already submitted and it was explained that results are anticipated in 'spring'. College is working to get to RIBA stage 3 position in March 2022 and all project spend has to be completed by the end of 2024. From a curriculum perspective, it would be ideal to complete works in September 2023. Rawmarsh lease ends in May 2024 but the college will require time to exit the premises and also deal with dilapidations.

AGREED: to note the content of the update provided.

17 **Date and time of next meeting**

This was confirmed as 23rd March 2022.

Meeting concluded at 6.35pm.

Signed ___________________________________ Chair

Date ___________________________________