RNN GROUP

Meeting/Committee	Finance & Resources Committee
Date of meeting	Tuesday 14th March 2023 at 5.30pm (via google meet)

1 Welcome, introductions and apologies for absence

Attendees:

Janet Pryke	Chair
Jenny Worsdale	
Jason Austin	
Margaret Cobb	
Debbie Marshall	
Paul Lomas	

In attendance:

Maxine Bagshaw	Director of Governance
Phil Curtis	Executive Director: Finance & Estates
Jane Hartog	Executive Director: HR Marketing and Organisational Development
Greg Bristol	Environmental and Sustainability Officer (for agenda item 5)
James Godsell	Director of Employer Partnerships (for agenda item 7)

Apologies for absence

Apologies for absence were received from Monika Rodzos, Daniel Stanbra and Cath Mollart.

2 Declarations of interest

The Chair reminded everyone present to declare any interests that they may have on matters to be discussed. No specific declarations were made and standing declarations were noted.

3 Minutes of the meeting held on 17th January 2023

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 17th January 2023.

There were no matters arising.

4 Action progress report

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

5 Environmental Sustainability update

The detailed written report circulated in advance was noted and key matters highlighted included:

- College is still progressing along the AOC road map, of which there are 10 subheadings.
- RNN continues to be an 'emerging' organisation.
- In relation to the roadmap sub headings, current position is:

1) Communications – plan is to conduct a survey imminently and this will help to better understand student and staff views.
2) Sustainability committee – this is now established, with the first meeting held in November 2022. Second meeting is scheduled for March 2023. There is also a climate champions group which meets each month.
3) Net zero target – college is currently calculating its carbon footprint and once complete this will assist in setting the timescale for a net zero target.
4) Carbon literacy training – the first training day was held was on 13th February 2023 and the organisation is now looking to 'train the trainers'. Lectures for pastoral tutors are being rolled out this month. A meta compliance module focused on sustainability has been provided to staff, with a current completion rate of 62.2%.
5) Recycling – organisation is likely to go out to tender for waste services shortly.
6) Energy use – RNN group continues to work with 1Energy to participate in the Rotherham Energy Network. Initial grant approval has been provided to the local authority. In addition, RNN is looking at another low energy lighting scheme. New solar panels have been installed on certain buildings. Unfortunately, the recommissioning of the wind turbines is still a work in progress.
7) Race to zero pledge will be discussed at the next meeting of the Environment and Sustainability committee which is scheduled for March 2023.
8) Catering – current contract with Gather & Gather is subject to review and other options are being explored.
9) Measuring emissions – the finance team are gathering data required.

Committee were advised that the group is required to report on energy usage and carbon emissions under SECR regulations and the ESOS scheme. Deadline date for reporting is September 2023 which means that this will shortly be a focus. Group is still looking at bio diversity and there are a number of development options at key sites. In relation to transport and travel, the group has a travel plan in place although there is a need to review this. This will include conducting a travel survey. CEO advised that each member of staff can have a sustainability objective added to their targets as part of the PDR process this year. This will ensure it is given the required focus.

One governor asked for more information regarding the Environment and Sustainability committee and noted that she had unfortunately not been invited to the first meeting in November. She expressed concern that the date planned for March has been changed a number of times and the challenge from this committee was to ensure that this becomes a priority and that the group meets regularly. It was agreed that the date for the next meeting would be reviewed, with an update provided by the CEO to the link governor for sustainability (CEO, March 2023). CEO advised that since preparation of the report there have been a number of key meetings in the local area, particularly for subgroups established, which is likely to mean that progress can now be accelerated in terms of developing a strategy.

One member of the committee asked for further information regarding the delay in progressing the work of the committee. They asked whether it is to do with the resource that the group can commit or whether or not it is external factors which are influencing. Challenge from the committee was that this really needs to be seen to be supported.

AGREED: to note the content of the update provided.

(Greg Bristol left the meeting at 5.45pm)

6 AEB/Subcontracting report (standing item)

In the absence of Daniel Stanbra, the CEO presented the written report and confirmed that there had been a helpful Q&A session with governors yesterday. Key matters highlighted from the report included:

- There are risks in relation to some areas of delivery.
- There is a risk in relation to the partnership arrangements with Kingdom as numbers are simply not coming through as predicted.
- To try and mitigate the position there are proposals to:
  a) Increase the contract allocation with Starch, and
  b) Enter in to a new learner finder agreement with E Careers.

When considering the report, a challenge from the committee was that it needs to be more specific in terms of where the organisation is against profile and also compare with the prior year position at the same point in time. They acknowledged that the 'ask' from the Director of Adult Education and Contracts was to provide additional capacity but indicated that the format of the report was not helpful and could be clearer. One governor suggested that the figures included are not consistent and are not correct and asked that they are always double checked before being circulated to governors. Committee indicated that what is important for them is to know 'what is in the bag' and also, alongside this, what needs to be done to recruit the additional students required. One governor indicated that she would also wish to see some quality/performance assessment in relation to the learners who are recruited through learner finder agreements i.e. Kingdom and Starch, specifically whether they are performing better, worse or the same as directly recruited learners.

Committee considered the yearend forecast and CEO explained that the information provided is based upon a predicted position. Group is paid based on monthly realisation and funds received are the actual to date i.e. what the group is able to claim for. Challenge from governors was that the report could be clearer in terms of what is known for certain. This is in terms of the financials confirmed compared to what the organisation still needs to recruit to i.e. where are the gaps. It was agreed that that the Chair of the Board and Margaret Cobb would work together outside the meeting to create a table which staff would then populate, this is to ensure that governors receive information required in an easy to read format (Chair/Margaret Cobb, March 2023).

In terms of the approvals sought, the CEO explained that it is split in to two parts:

1) The first being an increase to the contract with Starch, and
2) The second being a new partnership with E Careers – this is a learner finder agreement. Value of this partnership is likely to achieve £72k with a recruitment fee of £20,400k.

Question and challenge from the committee was whether or not it is more beneficial to enter in to partnership arrangements than not. CEO confirmed that it is more beneficial as there is need in the community. He provided assurance that there would be a positive income position for every learner recruited. He explained that it is a flexible cost and lower than if the college delivers directly.

Committee were invited to recommend to the board that:

a) The contract with Starch in the SYMCA area is increased to £240k, and
b) A new partnership contract be entered in to with E Careers up to a value of £100k. This is subject to due diligence and quality assurance. CEO indicated that realistically this company will only have one term in which they can deliver in this academic year.

Committee were happy to recommend both proposed contract changes to the board.

CEO then highlighted the fact that ESFA approval is required should the organisation want to enter in to subcontracting above 25%. Current position by learner is 11% and by income it is 17%. He indicated that, if the organisation wants to ask for permission to go above 25%, then it requires board approval in March so that the ESFA submission deadline can be achieved. One governor asked whether community learning is included within the 25%. CEO indicated that it is not as this is not on the ILR. One governor asked what the impact of increased subcontracting would be in terms of the financial position and also contribution rates required from other departments. CEO expressed a view that, whilst it would have an impact, it would not be significant. Committee suggested that it would be helpful to test out subcontracting appetite with the full board. Challenge from governors was to ensure that subcontracting has a positive financial contribution and that it is sufficient so as to avoid requiring a subsidy from other areas within the organisation. Governors agreed that it would be useful to know what the 'tipping point' is on this.

In terms of ESFA permission, CEO advised that an application, should the board wish to make it, has to be completed by 31st March 2023 and then it is an annual process. He confirmed that there is no guarantee that permission will be granted even if an application is made. It was confirmed that the group can apply and then chose not to use the permission. All agreed that there needs to be full business analysis completed before hitting the 'yes' button even if permission is obtained. Committee acknowledged that if the college does not apply then it loses the opportunity. Challenge from governors was to ensure that any delivery meets the needs of the community and learners and that it is also financially viable. On the basis of discussions, committee were happy to recommend that the board approve the submission of an application to increase subcontracted delivery beyond 25%.

AGREED to:

a) Note the content of the update provided
b) Recommend that the board approve an increase to the Starch contract to £240k delivery in the SYMCA area
c) Recommend that the board approve a new partnership arrangement with E Careers up to a value of £100k and
d) Recommend that the board approve an application to the ESFA for permission to increase AEB subcontracted delivery above 25%

7 Commercial Offer – current position and strategic development plans

James Godsell presented the written report and explained that it gives an update on commercial plans and the development of a strategy. Key matters highlighted were:

- The outcome of several bids submitted will influence the strategy to be developed.
- Business centre facilities are being launched at Rotherham campus this month.
- Business centre facilities at DVC are also being progressed.

- Group believes it can expand its higher-level commercial qualification offer.
- Group has used SDF funding to showcase NFPC. This is an opportunity to build partnerships and become a 'one stop shop' for local businesses.
- Short course training is really important.
- Business incubation is an opportunity, however it is a crowded market and therefore the strategy needs to consider how the organisation markets itself and particularly how it differentiates from others.
- There are good stakeholder relationships, however the organisation can leverage others more.
- It is going to be important to broaden horizons and not just focus on NVQs. Group needs to consider more commercial courses.
- Organisation does have a lot of LMI data that it can access. Intention is to take more detailed feedback from key employers.
- There are opportunities to use our facilities more to develop commercial income.
- In terms of risks, these are:
  - Loss of market share
  - Group not marketing itself well enough
  - Re-establishing the organisation within the market
- Group will be able to use T Level preparation facilities as a resource as part of the commercial offer
- It is proposed that the Commercial Strategy be created for June 2023 as, by this point in time, the organisation will know the outcome of several bids submitted. (Director of Employer Partnerships, June 2023)

In general discussion committee asked what makes NFPC so successful. Staff indicated that there are a number of aspects but primarily its USP i.e. it is the only centre in the UK that does what it does, with the company doing as much nationally as it does locally. It is the reach of the company. CEO also indicated that the company delivers competency based provision which is exactly what employers want and need. In addition, the company also has a different staffing model.

One governor asked whether internal departments are alerting the senior team to qualifications that are becoming mandatory in the future. It was confirmed that some departments are, and examples given were level 2 barbering and heatsource pump qualifications. Challenge from one governor was to also consider the need for data scientists.

AGREED: to note the content of the update provided.

(James Godsell left the meeting at 6.30pm)

8 2022 Gender Pay Gap report

The Executive Director HR, OD and Marketing presented the annual report for 2022 and key matters highlighted were:

- In terms of the figures, they are a factual statement.
- Median gap has increased.
- This has been influenced by an increase in the number of females in the lower paid bands.
- Information has been provided in relation to all bonuses paid.
- RNN group is very comparable with FE providers and the position is lower than tertiaries.
- Gap is lower than for other organisations in the area.
- Group has confidence in terms of fair recruitment processes.

One member of the committee asked whether there were any concerns regarding equal pay. Staff confirmed that there are no issues and that all roles are considered carefully and regularly checked. Governors indicated that they would find it useful to have a report showing the gender analysis by roles (Executive Director HR OD & Marketing, May 2023). Governors asked whether there was confidence regarding fair recruitment processes and staff confirmed that there are. Challenge from the committee was that they would like to see a focus on internal female progression and particularly how this can be supported. In terms of the data, committee acknowledged that it was the lower middle quartile which really makes the difference in terms of the gap. Challenge from the committee was to plan that future reports be broadened to include gender, diversity and inclusion rather than having a separate gender pay gap report. They felt that there would be benefit in having a cohesive document which looks at all aspects. Committee suggested that the HR aspects included within the CSR policy should also be incorporated.

One governor observed that the gender pay gap in the Nottingham area is lower than the RNN position and they therefore asked staff to investigate to see if there is anything that can be learned from them.

AGREED:

a) To note the content of the update provided
b) Approve publication of the Gender Pay Gap report as presented.

9 Corporate Social Responsibility Policy/plan.

The CEO presented this document and explained that it is a new policy. It is not yet a requirement to produce, but the expectation is that eventually it will become mandatory and therefore the group wants to be on the front foot. Recommendation is that this document be published and then staff will work to develop annual reporting for the future.

AGREED: to recommend that the board approve the Corporate Social Responsibility Policy as presented.

10 Update on PWC audit and implications for 2021/22 yearend sign off

Executive Director Finance and Estates provided a verbal update and explained that there are three issues emerging following the audit testing undertaken. In terms of context, he advised that auditors had been very complementary about the team in place and they acknowledge that staff have worked hard to provide all information requested. The three issues identified so far are:

1) AEB – learners have been funded at a higher rate than they were entitled. Group has claimed too much funding. 20 hours were delivered when 60 hours were expected. Auditors have completed a 100% check and potential clawback is circa £125k. Course was set up incorrectly i.e. one error which goes across multiple learners. Committee were given assurance that staff are undertaking sampling to ensure that this won't happen again going forward. Group has created a new team internally to complete the checks and this will ensure that any errors are identified by us rather than at audit.
2) Where a learner has been assessed at level 1 but placed on a lower ability course. This predominantly relates to English, Maths and ESOL. This is a decision-based process i.e. the learner and member of staff assessed the learner at level 1 but then put them on to an entry level qualification. Whilst PWC say that this is permissible, the ESFA will not fund it. Group could be criticised for not setting high enough expectations and encouraging ambition. Committee were advised that the group does not yet know the

magnitude/value of the decisions taken in this area. Challenge from the committee was to undertake a review to better understand how this happened, the size of the problem, where it started etc. All agreed that it was important to ensure that students are getting the right service.

3) Assessing ALS needs – this is mainly for AEB where, in some instances, an ALS need was identified for English and Maths but the student was actually on an English and/or Maths course. PWC's view is that the purpose of the course is English and Maths and therefore additional learning support isn't appropriate. In addition to this, 'general counselling' is not fundable however counselling to access a course is. It may be that there has been a misdiagnosis of need and/or support required.

In terms of the three areas highlighted, committee asked whether the findings need to be referred to in the 21/22 yearend accounts. It was confirmed that they will, as a post balance sheet event and also commentary included within the governance statements. Challenge from the committee was that any update to the annual accounts needs to include appropriate wording to explain the actions being taken to ensure errors are rectified and prevented from happening again. It was confirmed that staff are working on creating a post audit action plan which will be shared with the committee at the next meeting (ED Finance, May 2023).

Staff reminded that the current extension for filing the 21/22 yearend accounts with the ESFA is 31st March 2023. The hope is to get an updated version to the 27th March 2023 board meeting for signing. It was agreed that this would be added to the board meeting agenda (ED Finance, 27th March 2023).

AGREED: to note the content of the update provided.

11 2022/23 Strategic Indicators update

CEO presented an update on 'People and Place' and was happy to confirm that the group is on track in relation to the actions agreed, with nothing being behind expected timescales.

Executive Director Finance then presented an update on the finance KPIs and particularly the RAG ratings. Committee were asked to approve the basis for RAG ratings, these being:

- Green – on track to be completed by the yearend,
- Amber – there are some KPIs or deadlines which may have not yet been achieved, and
- Red – there is no chance of achieving the target.

Committee were advised that, where anything has been RAG rated as amber the group is working towards achievement. Committee were happy to support the RAG rating criteria but challenged staff to ensure that there is consistency in terms of reporting.

AGREED: to note the content of the update provided.

12 Finance Report

The Executive Director Finance's comprehensive report was considered and key matters highlighted included:

- Page 1 staff costs – there is a favourable variance at the end of January 2023, however the pay award agreed will not show in the accounts until February 2023 and therefore the position is not as favourable as appears in these accounts. That said, even at February the organisation will be within the staffing budget.

- Pages 1 and 4 give an overview of borrowing. Organisation is not now assuming it will be able to use any capital receipts following sale of Kiverton and/or Dinnington to pay off loans.
- Page 4 staff costs reconciliation – summary was provided on the screen and it was noted that:
  - Column G is the original budget
  - Column B is where we are now
  - £200k positive change
  - Columns C-F show the savings – these are those savings realised
  - There are some additional costs and examples given were agency, RES and catch up coaches.
  - Column F shows staff turnover
- There has been increased income a number of areas, including:
  - Catch up coaches
  - NFPC
  - DVC sports
  - EHCP income
- Positive change so far is +£643k

Committee asked for information in relation to the additional EHCP income and it was explained that this is more to do with an administration/assessment function rather than delivery.

- Committees attention was then drawn to the information provided in relation to additional capital and non staff cost savings
- Overall position is £82k EBITDA less, but there are still actions that can be taken to improve.

Committees attention was then drawn to funding allocations known for 2023/24 and key matters highlighted were:

- Position is £675k better than 2022/23, however it is £1.3m better than internal estimates
- Pages 8 and 9 provide a reconciliation and set out exactly why the position is higher than estimates
- Staff are checking the High Needs numbers as the group believes it should be funded for more than it appears on the allocation.
- T Level funding will be a risk if the group does not deliver, however it is not yet known whether there will be any clawback protection.

Committees attention was then drawn to page 9 which sets out the timetable for 23/24 budget presentation. Final draft of this will come to this committee in May 2023 and will then go out to staff for consultation. Final approval will be required by the board in July 2023 (Executive Director Finance, May & July 2023). Committees attention was specifically drawn to the review being undertaken in relation to security staffing. Current provision is being reconsidered alongside an option to outsource.

Committees attention was then drawn to the update provided in relation to Dinnington and it was explained that staff want to explore the option of using the site for internal provision. Options are being explored in terms of what would be beneficial to the group, particularly in terms of SEN. There is a potential option for the group to become an academy sponsor. Challenge from the committee was to check whether it is still permissible for FE colleges to be sponsors i.e. the current position rather than historic.

When considering the information provided, a concern raised was in relation to potentially breaching bank covenants. Staff confirmed that they are in active dialogue with the bank in terms of how covenants might be changed going forward. Committee asked whether, following ONS reclassification, the ESFA intend to 'smooth out' the payment profile process. It was confirmed that this is the intention and in fact it has already started.

Committees attention was then drawn to the proposed 2023/24 Fees Policy and it was explained that the major change made is in relation to format and that, fundamentally there is very little difference in terms of the numbers, processes etc.

AGREED to:

a) Note the content of the January 2023 Management Accounts
b) Note the content of 2022/23 midyear review and financial forecast
c) Note the content of 2023/24 funding allocations
d) Note the timetable for provision of the 23/24 budget
e) Recommend that the board approve the 2023/24 Fees Policy as presented.

13 Risk Report (Committee items extracted from the Corporate Risk Register)

Executive Director Finance introduced this item and explained that these are operational risks which feed up in to the strategic risks. Report provided covers HR, AEB, finance and estates aspects. Committee were advised that the Audit and Risk committee have suggested that a risk appetite workshop be arranged and that they feel that there is more that can be done in terms of reporting to committees and specifically using the risk register.

AGREED: to note the content of the update provided.

14 Curriculum 2022/23 – Review of Contribution Analysis

Executive Director Finance introduced this report and confirmed that it is based upon the information taken from the system as at period 5. He explained that there needs to be more work done to ensure an accurate position and an example given was that, study programmes at DVC in construction show a minus contribution however apprenticeship provision is very positive. This has shown that costs, particularly staffing costs, have not been apportioned correctly and the intention is to address this going forward. In terms of the overall position, the 16-18 contribution is reasonable and in relation to apprenticeship provision there are some recording aspects to resolve.

AGREED: to note the content of the update provided.

15 AOB

There were no items of additional business.

16 Date and time of next meeting

This was confirmed as 4th May 2023.

17 Confidential items

It was agreed that confidential items would be recoded on a separate basis.

Meeting closed at 7.50pm

Signed ___________________________________ Chair

Date ___________________________________