Meeting/Committee	**Finance & Resources Committee**
Date of meeting	Tuesday 17th January 2023 at 5pm (via google meet)

1 Welcome, introductions and apologies for absence

Attendees:

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

In attendance:

Maxine Bagshaw	Director of Governance
Phil Curtis	Executive Director of Finance
Jane Hartog	Executive Director HR, Marketing and Organisational Development.
Daniel Stanbra	Director of Adult Education and Contracts (for agenda item 6)

Apologies for absence

There were no apologies for absence with all committee members present. Paul Lomas was welcomed to his first meeting.

2 Declarations of interest

The Chair reminded everyone present to declare any interest 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 6th December 2022

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 6th December 2022.

There were no matters arising.

4 Minutes of the joint meeting held with the Audit and Risk Committee on 24th November 2022

The minutes were reviewed and it was agreed that they were an accurate record of discussions.

AGREED: to approve the minutes of the joint meeting held on 24th November 2022.

There were no matters arising.

5 Action progress report

Committee were happy to note the content of the update provided, both from the previous Finance and Resources committee meeting and the joint meeting held on 24th November 2022.

6 AEB/Subcontracting Report (Standing Item)

The Director of Adult Education and Contracts presented the executive summary and the detailed analysis. He confirmed that an updated paper had been provided earlier in the day following an error identified by one committee member. He particularly drew committees' attention to page 6 of the detailed report and explained that the line in relation to the devolved allocation to Construction Skills People limited has been updated. When considering the report, a number of matters were particularly highlighted:

- Subcontracting amounts are based upon the original allocated values
- Group has not yet allocated any devolved monies
- Group continues to have plans in place to deliver to 100% of allocated values. This is £3.9 million with SYMCA and £2.4 million non-devolved from the ESFA.
- Group has profiles in place for start activity, however some have changed for various reasons including withdrawals and late starts. The group has however been able to offset these reductions.
- £2.4 million ESFA non-devolved allocation is one that the group has previously not been able to realise

Committee were advised that the SYMCA growth profile has now been approved with confirmation received on 15th December 2022. Group is not predicting full realisation of the growth profile however as there are only five months left in which to deliver. This was described as a high risk but committee were given assurance that staff are working hard to try implement delivery plans. Committee were reminded that this is additional funding and not the core allocations previously confirmed. Committee were advised that the group has also successfully secured payment for the 2021/22 overperformance which will be received from SYMCA at circa £250k. Executive Director Finance confirmed that this amount has been accrued for in the 21/22 financial accounts.

Committee were advised that additional funding has also just been confirmed from North Notts Council and SYMCA in relation to the multiplier bid. Total amount is £142k, with £92k of this from SYMCA and Inspire and £50k falling within D2N2. Group has just received the SLA from Inspire so can now progress. Committee were advised that delivery of this will not require additional staffing and/or costs and that activity will directly lead in to other AEB provision.

Other matters highlighted within the report were:

- Adult community learning is on track
- Position in relation to bursary and ALS is also on track
- In terms of risks, committee were advised that the RO5 data identified some concerns in relation to Construction Skills People and Solvo Vir Limited

however, through performance management, there is confidence that they will get back on track.

In relation to ACL one member of the committee asked whether there were any issues and/or concerns in relation to procurement processes. Staff advised that all subcontracts were put out to tender last year and therefore both providers are on the approved supplier list. Staff provided assurance that the group has rigorous and robust subcontracting processes in place.

In relation to subcontracted activity, it was explained that the group has held back in relation to activity planned using the devolved funding pot, but that this can now move forward following performance management assurance. There is confidence that enrolments from Construction Skills People are on their way.

Committee asked for a reminder of allocations previously agreed by the Board and key matters highlighted were:

- At the F&R meeting on 27th September 2022 there was a recommendation that subcontracts for the non-devolved area be approved but for the devolved area Construction Skills People should only be awarded £231k and Solvo Vir £85,580 if the growth bid was successful.
- The growth bid has been confirmed as successful and these contracts can now be awarded.
- Allocation for growth is £689k
- Proposal in the paper today is for a subcontracting increase up to a maximum value should it be required and as part of the groups mitigating actions.
- The request and recommendation today is to approve a maximum contract allocation to Construction Skills People of up to £345,922.56
- If this is fully utilised for the year it would take the subcontracting percentage up to 19.9%
- Intention for the slight increase to the maximum allocation (+£114k) on the originally agreed Construction Skills People contract in the devolved area would give maximum flexibility to the organisation.
- Intent is:
    - Maximum contract allocation to Construction Skills People of £345,922.56 which is an increase of £114k
    - Subcontract to Solvo Vir to a maximum of £85,500 which has been previously agreed. It is not proposed that the contract increase further despite the growth allocation.

Committees attention was also drawn to the proposal to utilise a company called Starch as a learner finding company to maximise the likelihood of realisation of the growth profile. There would be a £21k cost to deliver circa £180k. It was explained that the £21k would be based upon a staged approach and that the company will only be utilised if suitable internal opportunities cannot be identified.

Committee asked how much is secured when compared to the predictions provided. Staff advised that this is £2.7 million against core values, being broken down as £1.96 million in SYMCA and £790k in D2N2. Challenge from the committee was that the group therefore still has a long way to go to realise both the original and growth allocations.

Committee asked for a little more information in relation to the bursary allocation. Staff explained that this is funding provided to help overcome a number of barriers and an example given was travel costs. It was confirmed that growth has also been secured for this line of income. In relation to bursary funding, it was noted that it is money that is 'in and out' and that the group retains no element of it.

In terms of subcontracting activity and the appendix provided, committee expressed the view that it was not immediately clear how much was agreed with each company, who is ahead and who is behind. It was agreed that this information would be provided as a snapshot in an appendix in future meetings (Director of Adult Education and Contracts, standing report).

Committee asked whether there was any likelihood of other subcontracting proposals coming to the board. Staff advised that currently the only increase proposed is to Construction Skills People. Committee were reminded that the only subcontracts that currently exist for SYMCA AEB are with Construction Skills People and Solvo Vir.

Committee asked when the group will need to make a decision on subcontracting up to the maximum allocation proposed. Staff confirmed that enrolments are being monitored carefully for both companies and that, if internal enrolments are not where the organisation needs them to be, then increases will be implemented.

Following the detailed discussions committee were happy to recommend that the board approve an additional subcontracting allocation of £114k to Construction Skills People and approve the proposed spend with Starch up to £21k.

AGREED:

a) To note the content of the report provided
b) Recommend that the board approve the subcontract to Construction Skills People to a maximum value of £345,922.56 (this being +£114k on the previously agreed amount) and approve the contract proposal with Starch up to a maximum value of £21k.

7 2022 HR Annual Report

The Executive Director for HR, OD and Marketing drew committees' attention to the detailed report and key matters highlighted were:

- This report covers the key metrics for 2022.
- In terms of recruitment, the position is higher when compared with the previous year. Group has done well and filled many of the challenging roles.
- There has been increased and improved staff induction. It is working well and provides a good networking opportunity.
- In terms of payroll, there was a successful change to the I-Trent system
- Health and wellbeing days introduced are a great success
- Values based nominations to recognise staff have been really successful. Four members of staff are given an award each term and receive a £100 voucher each.
- Group has been able to reduce the sickness absence rates with only ten long term absences. Focus now is on reducing the more short term absences.
- Turnover is high. RNN position is 28.6% which should be compared with the AOC average figure of 17.5%. Staff advised that it is hard to try and tackle this in the absence of being able to make considerable pay awards which are not possible given financial pressures.
- Training and development continues with investment made in a number of areas including the digital programme, skills academy and the managers and leaders programme.

Committee were then provided with an update in relation to the 2022 pay award proposed and key matters highlighted were:

- Prior to the Christmas break the proposed pay awards was shared with the unions who did not accept the offer which was based upon the AOC recommendation. They indicated that, instead they would be seeking 10%.

- Staff met with unions last week and talked through the real time financial data to explain the position in relation to affordability
- There are differences between the unions, in that some will recommend to members and others intend to ballot

When considering the report there were a number of questions, including:

- In relation to recruitment, are all staff embracing the need to devolve activities down the line. Staff confirmed that the HR team work with all managers to push out recruitment materials.
- 42 members of staff left within their probationary periods – does the organisation know why. Staff confirmed that there is recognition that there is an issue in relation to this. It is not believed to be recruitment or induction process but more to do with managerial support, simply because everyone is so busy.

Question and challenge from the committee was that the organisation has so much to offer in terms of the values proposition and they asked what the plans are to market this more. Staff confirmed that the benefits guide has been re-written. This is used in recruitment campaigns, however it is acknowledged that there is a need to circulate this to current staff too as a reminder. The new website planned will have a larger recruitment section so there will be more opportunities to market aspects such as holiday entitlement, development investment and career plans.

Committee all agreed that the report gives a good insight in to the people aspects of the group and thanked the Executive Director for compiling such an informative document.

AGREED: to note the content of the 2022 HR annual report.

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

Executive Director Finance provided a verbal update and key matters highlighted were:

- Groups external auditors finalised their work before Christmas, however part of their assurance required is to come from the ESFA in terms of income
- RNN was selected at random for an audit by the ESFA who commissioned PWC to conduct. Their audit started in December but is taking longer than expected and therefore external auditors, and the group, have been unable to sign off the year.
- In effect, signing off the accounts is 'in limbo'
- PWC met with the data team last week and everyone was hoping to be able to complete by 31st January, however group has been notified of another audit required which is by SYMCA in relation to AEB. This will therefore lead to a further delay as the data team simply don't have the capacity to provide all of the information required for both audits concurrently.
- ESFA provided an extension for filing the accounts to the end of January. Group has now asked for a further extension in to February 2023.
- Currently there is no reason to believe the accounts will change in terms of the financials reported, however since the accounts were presented to board there have been a number of post balance sheet events including the Ofsted inspection and sale of Kiverton site. This may mean that there is a requirement to amend some of the narrative to reflect the post balance sheet events, both of which are positive.

AGREED: to note the content of the update provided.

9 November 2022 Management Accounts

The Executive Director Finance presented the accounts and key matters highlighted were:

- Format of the accounts is still not as detailed as the organisation wants them to be, particularly in terms of forecasting
- Group needs to improve its internal budget systems to ensure that information is available on the system much more quickly
- This information was shared with unions at the meeting last week when discussing the pay award offer
- First column shows the budget approved in June 2022 which was submitted to the ESFA with a forecast deficit of £1.9 million
- Second column summarises the numbers recognised in November 2022, however it doesn't include any of the changes to funding now known. Income position is a reduction from £35 million to £34.8 million.
- It does include some growth, and an example given was £400k for catch up coaches
- Organisation has also accounted for additional costs with these rising from £37 million to £38.2 million

Committee asked whether the SYMCA growth allocation of £689k discussed earlier in the meeting is included. Staff advised that it is not yet included and that it will be in the next set. Committee asked what margin the college will receive on this. Staff explained that it will vary between 20%-50% but reminded that there is now only a 5 month delivery window. Challenge from the committee was to ensure that all changes are fully incorporated in to the next set of management accounts (ED Finance, February 2023).

Other matters highlighted were:

- There have been some natural reductions in costs to offset the reduction in income
- £550k staff cost efficiencies
- There have also been some none staff savings
- If the organisation did nothing, then the shortfall in 2022/23 learner numbers would negatively impact on the 2023/24 position and would likely move the organisation in to financial intervention. Assurance was given that staff are taking action.
- Column 4 identifies the targets set for savings in 2022/23. Anticipation is that income will stay the same and therefore plans have to be implemented to find savings.
- Column 5 shows the forecasted impact in 2023/24 if the savings plans are successful
- It would lead to the financial position improving.

In terms of costs committee asked, other than staff costs, where are the real challenges. Staff indicated that it is in relation to materials and maintenance requirements. Aim for the organisation is to limit revenue spend unless it is absolutely necessary and essential. Group will use funds, other than revenue, to cover works required and an example given was any successful capital bid. Committee were assured that the group does remain compliant with covenants, however the financial position does need to improve.

A question and challenge from the committee was in terms of the potential covenant breach identified in July 2023. Staff explained that some of the additional AEB growth allocation will help to address this if activity can be delivered. Executive Director Finance expressed the view that the payment profile is also likely to even out following the ONS reclassification.

AGREED: to note the content of the management accounts presented.

10 Risk Report

Executive Director Finance introduced this item and confirmed that work is ongoing to update the risk register and the full document will go to the next meeting of the Audit and Risk Committee. To ensure greater prominence the register is now a standing agenda item for the executive to review and discuss each Friday.

Committee discussed 16-18 student numbers and asked for an update. Staff advised that the position now is 2958 which should be compared with a forecast of 2600 and allocation of 2844. Committee were advised that if there is a significant shift in student numbers between RO4 in November and the RO6 return in January/February then the ESFA have the option to fund on the lower number at RO6. ESFA exercised this option last year and the negative impact to the organisation was circa £350k.

Committee were reminded that internal auditors will conduct their follow up audit in February and that all actions identified and agreed during these audits will be incorporated in to the risk register to make them easier to monitor. Alongside this, internal auditors are scheduled to conduct an audit on the risk register in May 2023.

AGREED: to note the content of the update provided.

11 Contracts Register

The Executive Director Finance introduced this item and drew committees' attention to the analysis report provided by 2by2. Key matters highlighted were:

- They were commissioned to undertake a full ledger review
- They have contacted companies on the groups behalf to request copies of the contracts where they cannot be located within the organisation. Some contracts were agreed by colleges prior to merger and simply cannot be located because of the passage of time.
- Work required has taken longer than initially envisaged
- There are circa 150 contracts
- To try and improve the position the group has purchased a system called Everi which includes a contract register. Once fully populated this will allow electronic monitoring, including email prompts. The system will prompt staff to regularly review and will allow better management and planning.
- 2by2 also looked at the organisations expenditure and have identified what they believe to be some quick wins in terms of better procurement and an example given was catering.
- They have helped staff to identify some areas of work

Challenge from one member of the committee was to be cautious regarding the reality of predicted savings. Staff advised that the company has no percentage incentive and therefore no personal benefit in identifying and securing these savings. It was explained that the company has worked in education for a number of years and is a partner with DFE in a number of pilots.

Challenge from one member of the committee was that there seems to be a 'long tail', specifically regarding the use of credit cards and expenses. This was accepted and it was agreed and acknowledged that more robust and efficient systems are required. Finance team are now changing the processes to ensure that there is more control and it should also reduce staff time taken to deal with this aspect.

Committee were reminded that spend above £213k requires board approval and that there are a number of aspects likely to go above this during the year. Particular matters highlighted were:

- Level of temporary staffing will require some approvals as the current value is circa £800k. It is believed that the organisation can improve upon this and is currently reviewing.
- Costs of marketing materials
- Transportation – it is believed that, with inflation, the costs of this will just go over the board approval limit.

AGREED: to note the content of the update provided.

12 Curriculum Plan 2022/23 – review of current contribution analysis

The Executive Director Finance provided a verbal update and explained that the data he has been provided with has led to more questions than answers and therefore he didn't believe he could produce a meaningful report for this meeting. An example given was that inclusion of some apprenticeship costs led to a negative contribution in some areas which can't be right. Average position appears to be circa 47%. Committee agreed that there would be a full report on this provided to the next meeting (ED Finance, 14th March 2023).

AGREED: to note the content of the update provided.

13 Estates Report

Executive Director Finance drew committees' attention to the written report and then provided an update on the Kiverton sale and key matters highlighted were:

- Sale price has been agreed and previously approved by the board
- Process is now in the final stages of legal negotiation
- Background context to the sale was provided again
- Legal aspects still outstanding relate to the last 10 acres. Strata attempted to try and landlock these, in terms of access, which would have given them a strong negotiating position to purchase at a later point in time, however it is believed that these issues have now been addressed.
- New complication for the group is that following the ONS reclassification there are limits on how colleges can use capital receipts. Team are just working through the implications of this now.

One governor asked how board approval to sign the contract when finalised will be dealt with. Executive Director Finance indicated that it is likely that the group can continue with a licence to Strata until board have formally approved at the next meeting on 6th February 2023. All agreed that it will be important to have an opportunity to discuss any risks before the contract is signed (ED: Finance, February 2023).

Committee were advised that, in relation to capital funding, a new allocation announcement was made in December which is a benefit to the group of £350k. In addition, the organisation will receive ONS reclassification funds of £880k, making a total of £1.2 million. In the main funds need to be spent on sustainability including boilers, lighting etc. and capital condition improvements. He confirmed that priorities in relation to spend will be discussed at the strategy day planned for next week. Committee were advised that NFPC still have a requirement for a new boiler.

AGREED: to note the content of the update provided.

14 Subsidiary company update – NFPC loan repayment

Executive Director Finance reminded the committee that the group management accounts show the trading position for both companies. RES is as expected and NFPC is currently showing a small positive. Committee were reminded that NFPC has a loan from the group (parent company) of £723k and that external auditors have asked for either a write off or repayment plan as part of concluding the annual accounts process. The report provided includes repayment proposals which does incorporate some flexibilities. Before this can be agreed however the organisation needs to take some advice regarding ONS reclassification, specifically in terms of what the group can and can't do. He explained that historically the gift aid arrangements have led to a very limited surplus which has prevented the company from repaying the loan. Challenge from the committee was to look at any potential tax implications in relation to dividends/gift aid before drawing up any formal agreement and heads of terms.

AGREED: to note the content of the update provided.

15 LGPS Discretions Policy

Executive Director for HR, OD and Marketing presented this item and explained that it is a required policy by the South Yorkshire Pension Scheme. There are five discretions, however historically none of them have been used or applied and it is very unlikely that they will be going forward. Committee were advised that the organisation will have to take each case on its merits but that there will be no automatic enhancements. Staff confirmed that the organisation does have the right to say no if a request is made.

In terms of the decision to exercise any discretion committee, asked who 'the group' is that is referred to within the policy. Executive Director Finance indicated that it could be through the normal financial delegations i.e. anything below £213k would sit with the CEO however an alternative option could be that any proposal requires board approval. Committee, whilst acknowledging that it is highly unlikely to be used, did feel that the decision whether to exercise a discretion should be at board level and it was agreed that this would be added to the Scheme of Delegation. All thought it was important to be aware of not setting precedents. Executive Director HR OD and Marketing confirmed that she would update the policy to make sure that the board approval process is clear and that this version would be presented to board on 6th February 2023.

AGREED: subject to the minor change agreed at the meeting, to recommend that the board approve the LGPS Discretions Policy.

16 Treasury Management Policy and Reserves Policy

Executive Director Finance introduced these policies and explained that, in year, the organisation can have anywhere between £2 million and £6 million in the current account which is earning very little interest. The Treasury Management Policy provides the potential for the organisation to look to earn more from the cash available. Key considerations are liquidity needs and the availability of cash. In terms of any recommendations, these would come to this committee for discussion and then recommendation to board.

Committee were advised that what is presented today is an update on the prior version was quite out of date. Changes include the removal of references to borrowing now that it is no longer permissible following ONS reclassification. Sector now cannot borrow new amounts from commercial lenders although can continue to take finance leases. Colleges can retain their current borrowing and the aim at RNN is to reduce this over time.

AGREED: to recommend that the board approve the Treasury Management Policy as presented.

Committee were then advised that the Reserves Policy is all about the level of reserves that the organisation should aim to hold. Consideration of this policy now is pre-empting what is likely to come in the sector, based upon what happens in academies. No specifics have been detailed in terms of the value of reserves, however the policy sets out an intention to move to a positive reserves position.

AGREED: to recommend that the board approve the Reserves Policy as presented.

17 HE Fees 2023/24

Executive Director Finance provided a verbal update and indicated that, if the group had wanted to change fees for 2023/24 then it would have needed to do this in the period September-November 2022. He confirmed that fees, with no changes on the prior year, were notified to the OFS and the group is now committed. He confirmed that fees for 2024/25 would be considered in the period March- July 2023 and that the intention is to take a fresh view on these (Executive Director Finance, March/July 2023).

AGREED: to note the update provided.

18 Feedback on the content of the 'impact on key metrics' table to be included in each executive summary report to this committee

Director of Governance introduced this item and explained that it was very much a starting point for discussion. She indicated that the intention of the table to be introduced is to ensure that governors have all of the necessary information at their finger tips and can see it easily. One member of the committee asked whether the 2022/23 column will include any changes known and a description of how it will impact on KPIs. In relation to the various lines it was acknowledged that, for some, there will be an absolute movement, whereas for some there will be a cumulative impact. A number of points were made in discussions, including:

- It is helpful to have the table immediately before the decision recommendation
- It is an important way of being able to capture the impact
- It should be possible to use positive or negative symbols to give an indication of the direction of travel
- It will be helpful to have a cumulative summary of the decisions being asked for. This could include the impact of the decision and then the cumulative position.
- It would be helpful to measure against the starting point to better see proportionality
- Clarify whether the impact is already included within the management accounts

Question from one governor was whether or not the organisation has a standard business case template. Staff advised that there isn't and that the plan is to introduce something now to ensure clarity in terms of information to be provided.

Committee accepted that it would be useful to agree at what level the impact is material and that below this there wouldn't be a requirement to populate a summary table. It was suggested that the content of the tables would be most effective if they were different depending on the topics. It was agreed that the Director of Governance would meet with key report writers to agree the format of each of the tables to cover finances, estates, HR, AEB/subcontracting etc. (Director of Governance, February 2023).

AGREED: to note the content of the update provided.

19 AOB

There were no items of additional business.

20 Date and time of next meeting

This was confirmed as Tuesday 14th March 2023 at 5pm.

21 Confidential minutes of the meeting held on 6th December 2022

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 6th December 2022.

22 Confidential minutes of the joint meeting held with the Audit & Risk Committee on 24th November 2022

The minutes were reviewed and it was agreed that they were an accurate record of discussions.

AGREED: to approve the confidential minutes of the joint meeting held on 24th November 2022.

Meeting closed at 7.10pm.

Signed ____________________________________ Chair

Date ____________________________________