Meeting/Committee	Finance & Resources Committee
Date of meeting	Tuesday 6th December 2022 at 5pm (via google meet)

1 Welcome, introduction and apologies for absence

Attendees:

Janet Pryke	Chair
Jenny Worsdale	
Jason Austin	
Margaret Cobb	
Monika Rodzos	(until 6.30pm)
Debbie Marshall	

In attendance:

Maxine Bagshaw	Director of Governance
Phil Curtis	Executive Director of Finance
Daniel Stanbra	Director of Adult Education and Contracts (for agenda item 5)
Greg Bristol	Environment and Sustainability Officer (for agenda item 6)

Apologies for absence

Apologies for absence were received from Jane Hartog.

2 Declarations of interests

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 27th September 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 27th September 2022.

There were no matters arising.

4 Action progress report

The committee were happy to note the content of the update provided. Follow up comments were received on two aspects:

- Line 3 – Executive Director Finance indicated that it is likely that the Digital Strategy will be updated in line with the Estates Strategy and therefore, in a form to be considered and approved by the board in spring 2023.
- Line 8 – governors confirmed that this related to the proposed contract with Kingdom Recruitment Limited or any other partnership activity relating to learner recruitment. Director of Adult Education and Contracts confirmed that, as requested, there had been discussion with the ESFA who are confident that the contract proposed is not a subcontract, as it strictly relates to learner recruitment.

5 AEB and Subcontracting Report

The Director of Adult Education and Contracts indicated that he would take his detailed report 'as read' and there were a number of highlights particularly flagged, these included:

- Group is currently projecting to be on track to realise the AEB core allocation profiles.
- There is a potential risk regarding non-devolved budgets as historically the group has not realised them, specifically in relation to SYMCA.
- Group is heavily reliant upon the contract with Kingdom Recruitment Limited to achieve the allocations. There are no immediate concerns in relation to this, both in terms of numbers of quality. First 150 student referrals have been received this week and the group is expecting 470 each month until March 2023.
- Group does continue to look at other alternative options to mitigate any risks, however alternative activity is not yet included within the plan.
- Group will continue to respond to demand from employers, but again this is not included within the projections. Group is taking a cautious approach as projections in this area did not materialise last year, but other options are being factored in to the regular monitoring processes.

In general discussion, one governor commented on the areas of overspend in 2021/22 and asked whether there are controls in place to avoid this happening in 2022/23. Director of Adult Educations and Contracts provided assurance that this is the case and that it includes monthly meetings with the finance department, with a clear line of sight on the cumulative position. SYMCA delivery was described as more of a risk than D2N2 and that the intention is to in effect 'turn off the tap' if there are any concerns regarding reaching contract allocation maximums. In relation to the contract with Kingdom Recruitment Limited, a staggered start model is in place which means that activity can be risk assessed and managed in terms of staff capacity and numbers. It will be possible to rollover any potential overspend in to 2023/24 if the college believes that this is required and appropriate.

Committee were advised that SYMCA are looking at approving growth on the allocation provided and that the group is really pushing for this. Group however needs to take a cautious approach until growth is confirmed in writing.

One member of the committee noted that, at the same point in the prior year there was confidence about hitting allocation but that this did not happen. She asked why the board should believe the confidence levels currently stated. Director of Adult Education and Contracts indicated that, in the prior year the group was heavily reliant upon employer responsive activity which didn't materialise and he provided assurance that lessons had been learned in relation to this. Employer responsive activity is not factored into the 2022/23 projections unless provision has already started. He confirmed that he regularly meets with each site manager and discusses live data sheets with them. This ensures a really clear line of sight in terms of the activity completed, ongoing and in the pipeline.

In relation to the Kingdom Recruitment Limited contract, one governor noted that payment to the company was agreed to be after enrolment and submission of the first piece of work, and they questioned whether there will be quality assurance arrangements in place regarding the first piece of work. Staff provided assurance that quality will be checked and that this is part of the staggered process. What the group wants to do is avoid any potential breach of contract regarding quality and the staggered approach means this can be managed effectively. It was confirmed that staff are also monitoring enrolments, particularly to ensure that each learner is eligible. Committee were advised that, if there are any concerns at all then within the contract there is the ability to pause quickly and enter in to required dialogue. Committee were advised that the company has employed a dedicated team and a supervisor to managing the referrals and therefore seem incredibly committed to making the partnership a success. It was confirmed that the group is taking time to stress test activity and ensure capacity can meet demand.

AGREED: to note the content of the update provided.

(Daniel Stanbra left the meeting at 5.20pm)

6 Environmental Sustainability Progress update

The Environmental and Sustainability Officer introduced this item and it was agreed to take his detailed report ‘as read’. Key matters highlighted were:

- Group continues to work on activities required on the AOC roadmap
- Group is still in the ‘emerging’ status
- There are 10 topic areas within the roadmap which are a focus, including:
  1) Gathering college views on sustainability – a survey has been created and will be live in the period January to March 2023
  2) Establish a committee – first meeting was held last week. This was described very much as a scene setting meeting with more activity to take place in 2023. It was noted that Margaret Cobb and Katie Asgari are link governors and will be invited to these committee meetings.
  3) Workshop with leaders – before this can take place there is a need to calculate the groups carbon footprint so appropriate targets can be set. Headline target date to achieve a carbon neutral position is 2035
  4) Carbon literacy training – group has a supplier identified, funding agreed and an identified first staff cohort. Challenge is trying to identify 6 hours when all staff can complete the training together.
  5) Recycling in every building – group currently has three separate contracts in place and the aim is go out a tender to reduce this down to one. There is the potential that sites will be remodelled and this could impact upon where recycling facilities are stored and therefore the tender will not be issued until the position is clarified.
  6) Energy use – group continues to look at ways to reduce reliance on gas which includes the contract with One Energy. Also being considered are low voltage lighting, replacement of IT equipment with more efficient models and the wind turbine at DVC.
  7) Sign up to the ‘race to zero’ – this is part of the aim to reduce the carbon footprint and set a net zero target
  8) Sustainable food options – group is currently contracted with Gather & Gather and is in dialogue with them about what is possible. Group is intending to go out to tender to test the market regarding other provider options.
  9) Upskill on emissions – this links to the ability to calculate exactly where the organisation currently is

10) Measuring the carbon footprint – finance team are supporting in relation to this.

Additional projects include:

- Improved diversity on the campuses. DVC is really leading the way in relation to this.
- 13th May 2023 is national Bike Week and the group is looking at active transport and shared transport
- A few social action schemes which include clothing recycling, food banks etc.
- Ways in which the culture of the organisation can be shifted. Proposal to HR is to suggest that every member of staff has a sustainability target as part of the PDR process.
- New sustainability page on the website

In terms of the catering tender anticipated, one member of the committee asked whether it will include an expectation regarding sustainability. Executive Director Finance indicated that it is for the group to determine what is included within the tender and the intention is to specifically include something on environmental sustainability.

Committee were then provided with an update on the wind turbines at DVC and it was explained that they are not currently working. Group does not actually own the turbines though, they are in fact owned by the Coalfield Regeneration Trust. Staff expressed some frustration that it has not been possible to get them working but explained that it is because of fairly complicated operational issues, however it is hoped that these will be resolved shortly.

AGREED: to note the content of the update provided.

(Greg Bristol left the meeting at 5.30pm)

7 2021/22 KPI's - Yearend Report (Finance & Resources items)

Executive Director Finance introduced this item and indicated that the KPIs have been extracted from the management accounts. He drew committees' attention to the document at 7A and explained that this compares the position with budget, in year forecast and yearend. He described the financial position as being pretty close to the original budget which is reassuring, however it was noted that there was a decline of 10 points on the scoring and therefore the yearend position was 160 and not 170. This means that the financial health calculation is still 'requires improvement'. He indicated that the 'good' predicted was subject to audit and that a late invoice, in relation to apprenticeship provision, meant a reduction to the points which led to the actual financial health outcome being 'requires improvement'. Challenge from one member of the committee was whether or not the same issue will arise for 2022/23. Staff provided assurance that the same invoice would not be missed again and that costs in relation to these are being accrued within the year.

One member of the committee noted that there was a 0% figure provided for NFPC and they asked why this was the case. Executive Director Finance indicated that this was an error and that it should not have been excluded. He provided assurance that the final two rows however remain correct. Committee noted that the staff to income cost ratio is 65%. It was explained that this calculation is a percentage of a higher number and therefore looks better than it actually is.

Committees attention was then drawn to the management accounts for October 2022 at document 7B, this is the regular update provided in an easily accessible format. Key matters highlighted were:

- Red RAG rated element for AEB as there is £1.8 million decrease in delivery planned for this year
- Income is RAG rated as amber, this is because of a decrease in forecast income however there are also reduced costs.
- EBITDA position is currently not too far away from the forecast

Committees attention was then drawn to the ESFA letter on the CFFR submitted for 2022-2024. Committee were happy to note.

AGREED: to note the content of the information provided.

8 Reconciliation of Financial Statements and July 2022 Finance Report

Executive Director Finance indicated that this item follows on from the earlier report on yearend KPIs for 2021/22. Key matters highlighted were:

- A large late swing in relation to AEB performance which explains the variances
- Pay costs were favourable
- Non-pay costs were also favourable
- Both of these latter elements compensated for the underperformance in relation to AEB

AGREED: to note the content of the update provided.

9 Risk Report

Committee were happy to take the content of the report as presented and asked for an update on how the ONS reclassification of colleges will impact upon risks. Committees attention was drawn to the page one summary and it was explained that a more detailed report is being prepared for the board meeting on 12th December 2022. One important aspect is that the reclassification now incorporates and applies to subsidiary companies, so there will be an impact on NFPC and RES. Both organisations will have to follow the same rules and regulations as colleges. He expressed the view that this may be a frustration to the Managing Director at NFPC, and specifically procurement obligations, as in the public sector these are more time consuming and therefore slower than in the private sector.

In relation to procurement he advised that the reclassification will have no impact and no changes required for the group. Unfortunately, the sector will not obtain any VAT benefit and will not get the additional relief that is available to schools. Commercial borrowing will no longer be allowed however current arrangements can continue. Committee were reminded of the loan with Lloyds in relation to the Dinnington site which ends in 2025 and the NFPC loan with Natwest, which was provided for covid support, and ends in 2026. In relation to the Lloyds loan, committee were advised that the group will still owe £2.5 million in 2025 and that under the new rules the group cannot take out further commercial borrowing. Group will have an option to access a loan scheme with the government and they will then take payments out of future income.

Committee asked what the position is in relation to capital receipts. Executive Director Finance explained that all will have to be ringfenced for future capital investment, however it is highly likely to be the case that bank charges will take preference in terms of repayment should Dinnington be sold. Group will be taking legal advice in relation to this, particularly regarding the Dinnington site. Challenge from the committee was a need to pre-empt and start any authorisation process early with the DfE, given the likely high number of colleges who will be in a similar position. CEO advised that he was meeting with Lloyds bank on Friday and that this is something that is planned for discussion.

Executive Director Finance described the group as currently being in 'unchartered territory' and, whilst a risk, he does not believe it to be a significant risk. Challenge was to build in any prior permissions required in to the planning processes and to start any discussions and/or negotiations early. Executive Director Finance indicated that there is an expectation that, if DfE loan terms are more beneficial, then colleges will be expected to access these even in relation to existing arrangements.

Committee were then given an update in relation to Kiveton and it was explained that the group had initially talked about putting sale proceeds in to general reserves, however this will not now be possible and any sale proceeds will need to be ringfenced for capital investments.

Other reclassification points highlighted were:

- Consents will be required for any write-offs above £45k
- There are a whole host of other consents required which have a value of around £50k, and one example is any settlement agreement with members of staff
- Finance leases are still available to the sector
- Another benefit over time could be lower cost insurance
- There will be more regulation given that colleges have to now contribute to the national accounts, these have an April to March reporting period. Colleges have to produce a special report rather than introduce a new accounting period initially.

Committee asked what the position is in relation to any overdrafts and/or revolving credit facilities. Executive Director Finance expressed the view that overdrafts are unlikely to be allowed but that revolving credit facilities could be allowed, however this depends on repayment terms.

Committee asked whether the DFE/ESFA would be taking steps to smooth out the funding payment profile. Staff expressed the view that the profiling would be smoother but that the ups and downs would not be entirely eradicated. Challenge from the committee was to be mindful of the 30 cash days minimum target proposed in the budget setting strategy.

Executive Director Finance advised that there is still quite a lot of work to do to update the risk register and embed this within the organisation. He confirmed that there would be more work taking place in the new year. Challenge from the committee was how to address staff engagement given that it had been a longstanding report that more is required. Executive Director Finance expressed the view that the profile of the risk register is likely to increase when the Ofsted outcome is included. Suggestion from the committee was to regularly schedule as part of CMT activities and meetings so that this ensures regular updates. Also suggested was that engagement with the risk management processes is included as part of personal KPIs for the year.

In terms of new risks, these are:

- Public sector status – now that this has been confirmed the risk register can be updated to include it
- Cost of living crisis – increasing costs generally and specifically purchases that the organisation needs to make
- Need to complete the contracts register
- Staffing – specifically recruitment and retention

- Learners – potential withdrawals because of an inability to fund transport, food whilst on site etc.

In relation to the position for learners, it was explained that the group does get a Free School Meal allowance as part of the allocations, however this is based on a census point in the prior year so is always at least a year out of date and therefore doesn't necessarily reflect current student difficulties. Challenge from the committee was to look at how best to ensure that funds are directed to those in most need.

One member of the committee asked whether there was any cost of living crisis support for staff. Executive Director Finance indicated that the group does signpost them to all the right places where they can access support, however the organisation feels that staff are paid at appropriate rates and that this should go a long way to mitigating the position.

AGREED to note the content of the update provided.

10 Estates Report

Executive Director Finance introduced this item and confirmed that the group does have an existing Estates Strategy, but that it is due to expire in 2023. Ahead of the meeting he circulated a draft update which is proposed to start in 2023. He indicated that there are a number of important steps required before a final strategy can be created and approved, these include:

- Need to obtain updated condition surveys
- Need to complete a functionality review to see if some of the site areas can be mothballed
- Need to make sure that the estate meets curriculum need and curriculum strategies, and an example given was T Levels.
- Building in work required in relation to sustainability

He indicated that the intention is to agree a strategy so that, as and when funding becomes available, staff can start to work to implement an agreed way forward and list of priorities. He confirmed that the organisation will be using the FE Estates Planning (FEEP) guidance tool kit to create a strategy and that compliance aspects will be built in to future reports to governors to give assurance. He advised that compliance with fire, electricity and gas regulations has just been tested, with a 'reasonable' assurance opinion given by internal auditors.

One member of the committee asked what, in simple terms, needs to be done to get the estate fit for purpose e.g. reducing the size, improving conditions etc. It was noted that this is intended to be a significant topic for discussion at the January 2023 strategy day and therefore it was agreed to postpone discussions until then. Executive Director Finance described the draft strategy circulated as a 'starter to support discussions'. He indicated that the number of guided learning hours for the curriculum is known and that this will be the starting point for looking at estate options.

Committee were then given an update in relation to the sale at Kiveton and it was explained that group is still going through the last parts of negotiation but is 'almost there'. It is believed that all known issues have been addressed and an example given was an attempt to retain some ransom strips around the site. Hope is to have the final documents available to share with board next week.

In relation to Dinnington, committee were advised that there is no further progress to report given that staff have been concentrating on finalising the Kiveton position. Staff intend to re-engage in the new year. CEO advised that there has been a very recent expression of interest in exploring the site from Outward Academy as they are looking for a venue in Dinnington. Group does not yet know the specifics but it looks to involve 14-16 year old disengaged students and therefore it is not anticipated that there will be any competition with the group offer. Likelihood is that they would look to lease some parts of the building, however group needs to see what their plans are first. At the same time, staff are also visiting the site to assess any potential for community learning options.

AGREED: to note the content of the update provided.

11 Bids and Projects

Executive Director Finance provided an update on a number of areas, including:

- Recent bid submitted at a value of £3.95 million to the Post 16 Capacity Fund - this is to facilitate a move of the Rawmarsh activity and facilities to the Clifton building. Likely outcome of the bid will not be known until 'spring' which means April/May time 2023.
- A further opportunity to bid for T Level funding has opened up and this supports the need for a succinct estate strategy. Submission deadline is February 2023. Estates team are exploring what is needed with curriculum colleagues. There is potential for some site refurbishment and repurposing. It is envisaged that funding amounts available however will be relatively small.
- Group is now spending the SDF funding received and hubs at UCR and DVC are being redeveloped. These are incubation hubs.

CEO highlighted the challenges associated with the timing of bid submissions and outcomes being reported i.e. the group will not know the outcome of the post 16 capacity fund bid until after the deadline for a T Level capital bid submission has passed. Challenge from the committee was to look at distinct and mutually exclusive bids as a way of risk mitigation. It was confirmed that the proposed T Level bid content will be discussed at the January 2023 strategy day (Executive – January 2023).

AGREED: to note the content of the update provided.

12 Contracts Register - Whole Group

The Executive Director Finance provided a verbal update and indicated that feedback following an initial external review is that group ledgers are complicated because of the reporting arrangements required by funders. Contract register is expected before Christmas and this will be shared with the board in January 2023 (ED: Finance – January 2023).

One contract that does need to be reviewed is in relation to catering. This is terms of value, delivery and quality. Staff feel that the time is right to reassess the market and be a lot clearer in terms of expectations around sustainability. Executive Director Finance indicated that none of the savings promised in the current contract have materialised and that the position has been impacted by covid, bursaries etc. All within the organisation would like to see the quality improve. Tender process will start next week and a proposal for board approval will be presented in June (ED: Finance – June 2023). Assurance was given that, in the interim there will be a number of opportunities for governors and stakeholders to be involved in the process.

Proposal is to use a company called Invictus to support the tender process, this is in terms of managing the tender itself and then initial management of the contract. Challenge from the committee was whether or not staff have taken feedback from other colleges who have used Invictus in the past. Executive Director Finance indicated that, in his previous employment he has used them and would be happy to recommend their appointment. Contract with Invictus is proposed at a cost of £14k plus VAT. Executive Director Finance confirmed that this represents value for money when compared to the management costs that would be charged by Tenet and with less confidence regarding the quality of their service.

AGREED:
a) to note the content of the update provided
b) support the proposal that the catering contract go out to tender

Scheme of Delegation

The Director of Governance presented this document and reminded of the context for its creation. She indicated that, eventually the group is looking to develop an 'annex B' which will list all group policies so that there is real clarity in terms of what exists, when they are due for renewal and who has responsibility for ensuring that they are current and up to date. Committee considered the document proposed and a number of aspects were discussed, including:

- Director of Governance was requested to review the document and ensure that there is consistency in relation to terms used i.e. 'group' rather than 'college'
- Document would benefit from a separate annex specifically relating to the operations of NFPC
- Annual review of the sections to be linked to the review processes for relevant committees going forward

Subject to these changes the committee were happy to recommend the document for board approval.

AGREED to recommend that the board approve the Scheme of Delegation

14 AOB

There were no items of additional business.

15 Date and time of next meetings

This was confirmed as Tuesday 17th January 2023 at 5pm.

16 CONFIDENTIAL ITEMS

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

(Monika Rodzos left the meeting at 6.30pm)

Meeting closed at 7pm.

Signed ___________________________________ Chair

Date ___________________________________