RNN GROUP

Meeting/Committee	**Finance & Resources Committee**
Date of meeting	27th June 2023 at 5pm (Via Google Meet)

1 Declarations of interest and eligibility

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

2 Welcome, introductions and apologies for absence

Attendees:

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

In attendance:

Maxine Bagshaw	Director of Governance
Phil Curtis	Executive Director of Finance
Cath Mollart	Interim Executive Director of Strategic Planning & Corporate Services
Daniel Stanbra	(for agenda item 6)
James Godsell	(for agenda item 7)
Jane Hartog	Executive Director HR OD & Marketing

Apologies for absence:

There were no apologies for absence with all committee members present. Chair advised that Monika Rodzos has resigned as a governor, this is because of professional commitments preventing her from giving the time to the role required.

3 Minutes of the meetings held on 3rd May 2023 and 23rd May 2023

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

AGREED: to approve the minutes of the meetings held on 3rd and 23rd May 2023.

There were no matters arising.

4 Action Progress Report

Committee were happy to note the content of the update provided. Director of Governance clarified two aspects:

- Line 2 – the carbon literacy training is now scheduled for 3rd July 2023 and governor participants will be Margaret Cobb and Carol Stanfield
- HE Fee proposals for 2024/25 will go directly to the board meeting in July 2023

AGREED: to note the content of the update provided.

5 Environmental Sustainability

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

6 AEB and Subcontracting Report

The detailed report circulated in advance of the meeting was noted and highlights drawn to governors' attention included:

- Period 10 position shows income of £4.4 million which is 103% of allocation. This is 3% above curriculum value and is 110% against forecast position for this point in the year.
- £147k provision will roll in to 2023/24
- Prediction for yearend is £6.5 million which is a circa £500k shortfall. This shortfall relates to the late additional growth allocation amount.
- Multiply delivery in year 1 is positive. Allocation is £92k with college current position being £86k. Year 2 allocation just received is £139k, which represents growth.
- In relation to Adult Community Learning, position is on profile, however there are some audit risks in relation to the required evidence to support co-funding. Group has been able to address some of the evidence requirements but not for all learners, particularly Rotherham Council learners.
- Subcontractors are on track to achieve profile
- Revision 6 of the Strategy and Policy is provided for consideration. There have been very minor changes, specifically in relation to the 20% charges i.e. how they are broken down. This is to give greater transparency.

In general discussion, question from one governor was whether the 25% subcontracting cap in place for 23/24 relates to learners rather than financial values. Staff confirmed that this is the case and that SYMCA take the same approach as the ESFA. Challenge from governors was how this will be measured and monitored. Staff provided assurance that learner numbers as well as values are monitored throughout the year and that, generally it is a more favourable position to use learners rather than value. The 'money' value would be a more pessimistic position. Significant proportion of adult provision is distance learners which means it is easier to track them. Challenge from the committee was to carefully monitor the situation so that there is no way of inadvertently going above the 25% cap. Staff confirmed that this monitoring will take place for SYMCA as well as ESFA learners as SYMCA have indicated verbally that they generally follow the ESFA position.

Governors asked whether there is a 20% management fee also applied to Adult Community Learning. Staff advised that there is no management fee but provided assurance that all costs are covered within the agreement, including management costs.

When considering the updated strategy governors indicated, that in future, all documents need to be provided with tracked changes. Cath Mollart confirmed that her team will pick this up in relation to all policies moving forward.

AGREED:
a) To note the content of the report provided
b) To recommend that the board approve the updated Strategy
c) To recommend that the board approve the Subcontracting Fees and Charges Policy for 2023/24 included within the strategy document.

CEO then referred governors to the additional paper circulated earlier in the day in relation to this 22/23 provision. He explained that this meeting was an opportunity to assess governor appetite for additional subcontracting. Key matters highlighted were:

- Proposal is to subcontract up to an additional £400k,
- This is to support local need,
- Subcontractors have provided assurance that the learners are there,
- Staff are completing checks to make sure that subcontractors can deliver,
- The proposal of £400k is the maximum and is intended to prevent the need to repeatedly come back to the board for additional small amounts.
- Part of this is to achieve £237k SYMCA growth which is additional. If achieved, this would put the group beyond the original profile.
- £202k is non devolved and is where the group has fallen short against its own profile. Projections are currently to fall short of the 97% which would mean clawback.
- Group has received assurance that all learners exist and are known the providers.

One governor asked for clarification regarding the number of students and their individual values as they felt £400k was a lot to achieve in such a short period of time. Staff advised that it is primarily learners on swap provision, with each learner having a value of between £1k-£2k. It is mainly sector based work academy provision which supports ex-offenders in conjunction with DWP and employers. Learners attend full time for 2-3 weeks. Areas of provision include health, construction and security. Staff advised that, if the group does not use this money through subcontracting, then it will not be possible to use it at all as all other options and leads have been explored with no further opportunities identified for direct delivery.

Committee asked for a summary of potential risks. These were identified as:

- Level of costs allocated against delivery,
- Legitimacy of learners, although staff confirmed that they have received assurance in relation to this,
- Internal quality issues, however risk in relation to this is considered to be low following due diligence completed,
- Procurement processes. It was explained that some of the companies weren't awarded subcontracts in year 1 but will in year 2. Procurement advice is being obtained to ensure a fair assessment of all options. It may be possible to utilise the 'exceptional circumstances' process.

One governor noted the reference to Castleview Group and asked whether they are new. Principal indicated that they didn't apply initially but have applied in year for year 2 and have been successful. They have identified the fact that they are able to deliver in year 1 which is why they are being considered. Committee asked whether they have been inspected by Ofsted. Principal indicated that not yet, but provided assurance that the group has undertaken quality checks. He explained that a number of the independent training providers are subcontracting with other colleges too and an example is Construction Skills People. Challenge from the committee was to ensure robust and thorough procedures are in place and to make sure that the learners are not enrolled with anyone else, so as to avoid any possible risk of double funding.

On the basis of discussions, committee agreed that they would recommend board approval via written resolution for additional subcontracting up to £237k (SYMCA growth bid) and £202k ESFA non devolved.

One governor asked whether, going forward, it is possible to provide a register of opportunities that the organisation is/can bid for. Governors felt it was important to have a central log. It was agreed that this would be scheduled as a standing item and a monthly update provided to the board when meetings are not scheduled (Executive Director Finance, each meeting/monthly). Committees' attention was drawn to section 3 of the paper which does give an abridged update on bids. Whilst acknowledging this, governors all agreed that it was important to have detailed clarity on a full organisational basis.

(Daniel Stanbra left the meeting at 5.30pm)

7 Commercial Strategy

Governors' attention was drawn to the document circulated in advance which was also discussed at the strategy review day which took place earlier in the month. Key matters highlighted were:

- Last week was an opportunity to take initial feedback from governors on plans proposed,
- Aspect to consider is whether or not the 3-year targets are ambitious enough,
- Are the proposals in the right sectors.

Challenge from governors was that plans need to add value and not become a distraction. Also, it is important not to compete where it is highly unlikely that the organisation will attract learners. Principal provided assurance that staff are very aware of the risks and are particularly working with the campus director at DVC. Additional external support is also in place to give advice and ensure that plans are realistic. Challenge from one governor was to think about the reputational risks as well. One governor also expressed the view that it is important to think about safeguarding risks if group facilities are to be hired out. All agreed that there needs to be caution where income and activity is generated from non-educational opportunities.

Committee then discussed the opportunity identified to use facilities for end point assessments and it was explained that this has not been included within current budget planning. One governor asked whether there would be any benefit to RNN learners. Staff indicated that it would allow the college to prepare and familiarise RNN learners ready for an EPA would that they have to be undertaken with another provider. Challenge from governors was to consider safeguarding and also timetabling. Governors agreed that they were supportive of this option being explored further and acknowledged that it would offset some of the EPA costs for RNN learners. Staff indicated that there is the potential to use the Rawmarsh facilities for this. The lease ends in May 2024, however this could be extended. Risk identified was that competitors could move in to the Rawmarsh facilities when RNN exits if not retained for an EPA centre.

AGREED: to note the content of the update provided.

(James Godsell left the meeting at 5.40pm)

8 Report from the Executive Director HR OD & Marketing

Committees' attention was drawn to the detailed mid-year data report circulated in advance and key matters highlighted were:

- A lot of information provided in relation to recruitment. There has been a change in the profile of vacancies, with more vacancies now currently sitting in the academic side of the business rather than business support.
- Agency costs are high and this is predominantly for academic roles.
- A lot of work has been done to improve recruitment and there have been some successes in certain areas.
- Turnover has increased to a pre-covid position and is higher than the AOC average. Reasons for resignation include salary levels and also the level of work required. There is high turnover in a number of specific areas and an example given was student services. Hopefully the restructure of this area will have a positive impact.
- In relation to absence, this has improved and it is a positive impact of the HR structure changes made. HR officers now work in the curriculum areas which has meant that they have been able to provide more direct support. Organisation is now confident that the long-term absences are all for genuine reasons.
- Highest reason for absence was stress, however this has now changed to the more physical.
- Health and wellbeing across the organisation is positive.
- Employee relations are stable, however this does ebb and flow.
- Skills gap analysis has identified need in a number of areas, and this will be picked up in personal development. This will include digital upskilling.
- Position in relation to mandatory training is positive.

Next steps include:

- A focus on management and leadership
- Succession planning
- Curriculum restructuring
- Increasing salaries from the restructure savings achieved

One governor asked whether there has been any impact following the Ofsted grade 2 i.e. in terms of the calibre of candidates applying for roles. Staff indicated that this may be an influencing factor but also there is now a new vibrant website and an employee benefits brochure which really helps to promote the organisation.

One governor expressed the view that there is clearly some outstanding work that has been done, particularly in relation to health and wellbeing, absence and the MOTs offered and completed. Staff development programme looks really strong and the skills gap analysis will help further with this. Challenge was that succession planning needs to be more than a paper exercise.

One governor asked whether the organisation is approaching a 'perfect storm' given the pressures on costs, staff leaving because of salary levels and/or workload perceptions. They asked how all this is to be managed, whilst maintaining an employee values proposition. Challenge from the committee was that the turnover percentage is going in the wrong direction.

Executive Director indicated that, within curriculum areas there is a need to look at the CTL roles as they are very varied in terms of what they do and the quality. Belief is that there is a need to reduce the number of CTLs and give more back to academic staff. This needs to be done on an area-by-area basis though to avoid significant disruption.

Executive Director indicated that there has been a significant increase in the number of operations that staff are having. This is likely to be a post covid situation and likely to continue for some time. She indicated that the job market is currently incredibly buoyant and is likely therefore to mean more regular movement. It is likely to be a common theme which comes in waves. She confirmed that there is more that the college can do, in the absence of being able to afford significant salary increases, including a focus on work/life balance, promoting the package available, not just salary, and that working in FE is an opportunity to do something worthwhile.

In relation to employee council meetings this year, committee were advised that the main issues identified were in relation to food available in the refectory and also how much time is required to cover all of the training on meta compliance. She confirmed that a full staff survey will be launched after October half term and that the full results of this will be shared once received (ED HR OD & Marketing, November 2023).

AGREED: to note the content of the update provided.

9 Report from the Executive Director Finance

Committees' attention was drawn to the May 2023 Management Accounts and key matters highlighted were:

- These now include some of the additional costs previously reported, including:
  - NFPC rates
  - PWC audit implications
  - SYMCA clawback
  - Position in relation to bursaries
  - PFI fees in relation to the post 16 centre, albeit that the group is challenging these.
- KPIs are provided
- EBITDA has significantly changed as a result of the additional costs identified. It was envisaged that it would be around the £800k figure. however it will now not be as successful.
- Income is above budget and forecast
- Pay costs are under budget
- Non pay costs have significantly increased
- Cash position is positive for a number of reasons, including Kiveton sale, funding for T Level equipment and capital grants.
- Staff cost percentage ratio is going down
- Financial health score is currently 'requires improvement' at 120, however the forecast for the yearend is close to 'inadequate'. A score of 110 or below will take the organisation in to 'inadequate'.
- In relation to bank covenants, the organisation has a retrospective breach which occurred in January 2023 and is repeated into April. This relates to the EBITDA to debt ratio. Staff are in dialogue with the bank and

specifically a new relationship manager who has indicated that she feels that there are too many covenants and is therefore open to working with us to review.

- Aspects not currently included within the 120 point calculation are:
- Potential £205k clawback in relation to adult learner loan bursary
- Potential £230k sum for the post-16 centre
- Any potential AEB underperformance

If any of these materialise then it is likely that the score will decrease from 120 to 110. If the organisation falls in to the 'inadequate' category then it will mean intervention and financial monitoring. This will have knock on consequences i.e. group is unable to lead on certain projects, however there will be no impact to T Levels.

Principal advised that RNN is not leading on any of the LSIF projects but is sub-leading on digital. Depending on timing, it may negatively impact on the groups ability to join the IOT planned. Impact is likely to be on new projects post December 2023. Group will likely be in intervention until it can evidence that the position is improving, and this is likely to be at least a year as ESFA/DfE will need to see 2023/24 audited accounts to give them confidence in relation to this. Challenge from the committee was that the organisation should do everything it can to avoid intervention as it simply detracts and consumes time and energy. Executive Director Finance confirmed that the ESFA have invited the college to apply for permission to put Kiveton proceeds in to revenue rather than being ringfenced for capital. If permission is given it will resolve the issue, however RNN would be a test case and likely success is considered to be small as the organisation does not hit the criteria of 'going insolvent'.

Question and challenge from one governor was whether or not the organisation is a victim of circumstance or whether staff and governors have taken their eyes off the ball. They asked whether lessons have been learnt. Staff advised that it is a mixed picture including:

- Rates position at NFPC was simply not envisaged,
- In relation to audits, the organisation/staff didn't know that what they were doing was incorrect. Training and internal auditing will improve the situation for future years.
- In relation to the bursaries, group wholeheartedly believed that funding would be provided and the forecast figure achieved.
- In relation to PFI, perhaps staff could have realised a potential risk sooner.

Committee Chair asked whether it is possible to argue for prior year adjustments and/or exceptional items which would then take them out of the 2022/23 calculation. Staff confirmed that this is a possibility and that they would present this argument to the ESFA. Challenge from one governor was that a lot of the current difficulties stem from under recruitment and that the organisation is now paying the price for lower than forecast recruitment for 16-18, HE and adults.

Committees' attention was then drawn to a number of additional aspects including:

- Bad debt – position is small and mainly relates to IT equipment. Write off is well below the MPM thresholds.
- Contract list – this provides a summary of the contracts in place and staff are working to add to this all the time.
- Catering contract – initially there was only one company interested in tendering and therefore a decision was taken to extend the submission deadline. This means that, by default, the organisation will continue with the same provider until there are other options to consider.
- Insurance – premiums have increased as the value of buildings have increased. This means an additional £4k per annum.
- In relation to litigation there are five claims, most of which relate to HR matters. Excess paid to date is £11k.

Committee were then invited to discuss the 2023/24 budget and updated 3-year financial forecast with a summary of changes made since the draft provided. Key matters highlighted were:

- Page 2 – all but two of the KPIs will be met in 2022/23. The two that won't be met are:
  - EBITDA being greater than depreciation, and
  - Average class sizes
- In terms of financial health calculations, the prediction is 2022/23 120 points (requires improvement), 2023/24 190 points which would be 'good' and 24/25 also being 'good'.
- Rates to be paid by NFPC have been changed with an additional sum each year provided for at £30k
- An additional £20k provided for in relation to digital resources in the library
- Some changes to capital grants
- Sensitivity analysis includes a number of scenarios which have been considered. These include:
  - Increase in ESFA numbers leading to in year growth,
  - Alternatively, reduced enrolments and the impact it will have in 2024/25
  - Movement between fulltime and part time numbers
  - AEB
  - HE
  - Pay award percentage (modelled between 1 and 5%)
  - Agency costs
  - Increased capital expenditure
- Spreadsheet compares November 2022 position and forecast before restructures (column F) and there is then a comparison with current position (column G). Column E is the forecast for this yearend.
- Row 7 has a movement of £2 million which is a significant difference. It relates to ESFA income.
- R46 impact outlined.

In relation to T Levels, one governor asked what the impact would be of not hitting the forecast numbers. Executive Director Finance indicated that the impact would be several hundred thousand pounds rather than anything more significant and that this would be a banding rate impact.

* Rows 7 and 8 are confirmed allocations from D2N2 and SYMCA
* Organisation has changed the way it calculates EPA costs and income. Challenge from the committee was to do this for 22/23 as well as for 23/24.
* Column H is based upon curriculum plans and the information provided in relation to commercial activity
* Expenditure is matched against the curriculum plans
* Staff cost ratio is 66%
* Staff will continue to look at administration costs and 'other' costs
* It may be possible to reduce the organisations own capital spend given the grants now confirmed.

Committee Chair asked for clarification regarding line 17. It was acknowledged that this was an error and would be removed.

One governor asked for an update in relation to the outstanding loan and when it will be paid off. Staff advised that there is a balloon payment due in January 2025 and that the organisation will need to look at how to do this. It may be that there is a need to apply to government for a non-commercial loans. Current loan doesn't impact on budget other than interest costs.

Challenge from the committee was to provide better narrative in relation to the columns e.g. including applicable dates.

Following the detailed review committee agreed that they were happy to recommend to the board for approval.

AGREED:

a) To note the content of the May 2023 Management Accounts
b) Note the content of the updates provided
c) Recommend that the board approve the 2023/24 budget and updated 3 year financial forecast as presented (subject to the changes and additions agreed during the meeting).

10 Estates report

Key matters highlighted were:

* Ability to invest capital is in a really positive position,
* Significant external funding provided,
* Organisation has had a further success regarding a T Level bid with £4 million to be provided for the North Notts campus. Bid in relation to Rotherham Campus was not successful and the reason given for this was capacity concerns. Organisation was given positive feedback in terms of aims and objectives.
* Spend deadline on all capital provided for the post-16 capacity fund and T Levels is December 2024

In general discussion all acknowledged that there were likely to be a lot of capacity challenges within the sector given that many colleges have been provided with capital support. Committee Chair asked whether the additional success in relation to the North Notts campus will be communicated to Bond Bryant so that they can include this within the options appraisal requested and agreed at the strategy review day last week. Executive Director Finance advised that, unfortunately Bond Bryant have declined to continue to support the organisation. This is because of the relatively low value, for them, of the projects and also they are struggling to recruit staff so have their own capacity challenges. It was confirmed that a number of alternative organisations are to be considered and a procurement framework will be utilised.

Committees' attention was then drawn to the FEEP and it was explained that the format has changed. This is because of a move from one system to another. Committee were given assurance that any high-risk areas identified have action plans against them and are being progressed with clear dates identified for completion. Challenge from one governor was that all Health and Safety and RIDDOR aspects need to be followed up quickly. Staff provided assurance that this is the case.

In relation to capital projects generally, all acknowledged that there will be increasing demand and competition within the sector and that there will need to be close governor scrutiny in relation to timetable and risks. Suggestion from the Principal was to set up a time limited small subgroup/task and finish group who will oversee capital projects and spend, it being the case that there is circa £15.1 million available to the organisation now. Staff advised that project management costs are something that can be allocated against the capital funding which will allow additional capacity to be secured.

Executive Director Finance then provided an update on procurement for the capital projects and his suggestion is to utilise a framework. He indicated that there have been early discussions with a company called Lindons who are local and take on a range of projects at various values. They have already been assessed in terms of quality. He confirmed that there would be a preferred supplier contract proposal which would go directly to the July board meeting (Executive Director Finance, July 2023).

Committee asked what the key spend deadlines are. Staff advised that they were December 2024 and March 2025.

Committee were supportive of the proposal to establish a subgroup and agreed that governors to sit on this would need to have both finance and estates experience.

AGREED:

a) To note the content of the update provided
b) Recommend to the board that a Capital Projects Task and Finish Group be established.

11 Policies

The Executive Director introduced this item and drew committees' attention to attachment A which is the groups policy list. Policies are now centralised on a portal. Column E are the proposals in relation to where updates should be approved i.e. committees, board or executive. Committee all agreed that this was a really positive way forward and that it brings everything together and were happy to recommend the schedule (which will become Annex B to the Scheme of Delegation) to the board for approval.

Committee were then asked to consider four specific policies which were:

- IT Security Systems

It was explained that this is a new policy and is required as part of the cyber essentials suite of expectations before insurance can be obtained. It was explained that this is an audit requirement.

- Staff and Student Acceptable Use Policy

This has been subject to significant changes given that the previous versions were all pre covid. This now reflects the changes in ways of working.

- Anti-slavery

This is something that has to be reviewed and published annually. There are no major changes to the version approved last year. Given deadlines for publishing on the website it was agreed that this would be reviewed earlier in the next academic year (Executive Director HR OD and Marketing, March 2024).

- Preventing Hidden Labour Exploitation Policy

This is also something that requires an annual review and there have also been minimal changes.

AGREED:

a) To recommend that the board approve the content of Annex B to the Scheme of Delegation
b) Recommend that the board approve, as presented:

- Preventing Hidden Labour Exploitation Policy
- Anti-Slavery Statement
- Information Security Systems Update Policy
- Staff and Learner Acceptable Use Policy

12 Committee Annual Review

Director of Governance introduced her report and indicated that this is an opportunity to reflect back on the current year and also plan for next academic year. General consensus was that the committee had operated very well and that earlier concerns regarding an additional focus on HR matters had not materialised. All felt that the meetings were well managed and that the committee had not strayed in to the territory of 'trying to be all things to all people'. It was acknowledged that this committee does have a large agenda but that this is well managed. It was noted that a new chair for the committee is to be identified for next academic year and one governor suggested that it is important for the appointee not to get 'too bogged down in the detail'. Committee acknowledged that reports had been adapted following meeting to meeting reflection and that this had worked well.

In terms of planning for next year, committee all agreed to recommend to the board that membership and terms of reference roll forward unchanged and they were happy to agree the outline work plan, it being the case that this is a framework only with other matters being added as and when required.

AGREED:

a) To note the content of the update provided
b) Recommend that the board approve continued use of existing terms of reference and that current membership roll forward in to 2023/24.

13 AOB

Governors took the opportunity to congratulate the team who have secured the T Level bid, all agreed that this will really help to take the organisation forward.

Principal highlighted the fact that the organisation has just announced a new aviation course which is a really exciting curriculum opportunity for next year.

As discussed earlier in the meeting ,it was confirmed that proposals would be presented to the July board meeting in relation to procurement processes to be utilised for capital projects.

14 Date and time of next meeting

Director of Governance confirmed that the full 23/24 calendar is scheduled for presentation to the final board meeting of the year.

Meeting closed at 7.10pm

Signed ______________________________________ Chair

Date ______________________________________