Meeting/Committee	Finance Committee
Date of meeting	29th September 2020

1 Declarations of Interest and Eligibility

The Chair requested Governors declare any interests at the appropriate time during the meeting.

The Chair declared his interest in matters relating to Dinnington as he is a Dinnington resident.

2 Welcome, introduction and apologies

Attendees :
N Ruff (Chair)
J Pryke
M Rodzos
T Jackson
J Austin

In attendance:

V Parkes	Director of Governance
K Noble	Executive Director (ED) of Finance
T De'Ath	Executive Director (ED) of Corporate Services

Apologies for absence

None.

3 Minutes of the Finance Committee meeting held on the 24th June 2020

Resolved: The minutes of the meeting held 24th June 2020 were agreed as true and accurate record.

4a Matters Arising for meeting held on 24th June 2020

None noted other than those on the agenda.

4b) No further actions as part of the progress report that are not covered under the Agenda.

5 COVID 19 Update

The ED: Finance gave a summary of the measures put in place to ensure the Group had been able to open in a COVID safe way. This includes staff being on rotas and students being taught via blended learning. It was noted that things are going well; it is much quieter on site as a result.

The CEO commented that all sites have been organised to allow for one-way systems throughout which has required different methods depending on the physical space available. The CEO also stated that there has been several areas of support funding made available that the Group can apply for such as the tuition fund which is c. £600k. The Group have received Capital funding of £1.5m for refurbishment. There is also additional funding for English and Maths however it is not possible to state the value of this yet as it is dependent on the assessments conducted with learners and then the figures being submitted. Overall the funding and support from the Department for Education (DfE) has been very helpful.

The CEO also informed the committee that the Group has invested in 600 laptops to enable students to be digitally ready for remote learning. This is a situation being faced by many colleges. The ED: Corporate Services confirmed that the laptops being purchased were on a 2-year lease scheme which means they have full enterprise grade support throughout the term which means each device is covered for damage or support requirements. There is then an option to sell back to Dell or to purchase the devices at the end of the agreement. The first 300 devices will be delivered at the start of November and already there has been 496 requests from students for a laptop. This is part of the digital poverty agenda and the Group's response to that. Each machine is costs £545 – the cost reflects the pre-loaded software and the laptops being ready to use thus minimising the amount of work required by the IT department to set each device up.

The Chair asked about the risk associated with laptops not being returned and it was acknowledged that this is a risk and that they will not be covered by the insurance due to their individual value and the excess on the policy. The Chair asked what experience we have in issuing laptops and them not being returned and the ED: Finance confirmed they had experience and with no previously reported loss. The ED: Finance stated that the benefits outweigh the risk. The ED: Corporate Services confirmed that the quality team will be checking each application to ensure there is a sound and valid reason for the request made.

Action: ED: Finance to place the risk of loss (theft) of laptops to the risk register.

The CEO commented on the Prime Minister's announcement earlier on in the day in which all adults without a full level 3 qualification or equivalent will be able to take a Level 3 programme. The announcement also included information regarding flexibility for adult loans to meet the costs of Level 4 & 5 courses which is very positive for the Group. There were also proposals around apprenticeships which will benefit SME's in terms of flexibility for levy paying organisations.

6 2019/2020 Year End Forecast

Current situation is that from an operating surplus/deficit point of view we are just under £1m better than forecasted mainly due to non-pay costs and staff costs adjusted. The income was as in line with what had been forecasted. The staffing cost adjust was due to the teachers pensions grant being higher than predicted, more monies were received than anticipated. There was also an error in the calculation for Rotherham Educational Services (RES) which resulted in a positive adjustment. There has also been an overpayment on the pension deficit and this has now been rectified which will result in funds being returned to us. Additionally, there have been a number of vacant posts not filled.

The non-pay costs have also been lower than anticipated. Consumable, running and maintenance costs were lower than the last forecast showed. Health & safety costs actually came through in August and September so the timing of these has had an impact. The increase in bursary costs saving is offset by any income saving resulting a net impact on the deficit line.

The most notable movement is £8m on the pension fund which is a negative movement resulting in the pension deficit now standing at £41m. This is something outside of RNN's control and is a figure displayed on the actuary report. That unfortunately has a negative impact on the balance sheet resulting in a net liability position. This does not impact on the bank's covenants because they actually deduct this however this will still be shown on the published accounts which will show net liabilities. The only control we have is to improve the bottom line.

The 2019/20 Audit is currently underway, with subsidiaries first and the main audit is due to commence week beginning 5th October. The results of which will be available in November 2020. The ED: Finance doesn't feel there will be anything material that will alter the figures that have been presented today.

The Chair queried whether it was possible to add any narrative to the accounts regarding the pensions deficit. The ED: Finance stated it was standard across local government and that we were in fact in a better position than others. It fluctuates year on year and this year has been particularly challenging for everybody.

The ED: Finance stated that there is upside which has resulted in additional cash being available at year end in the region of £1m due to some costs not going through until August/September.

The Chair asked for confirmation regarding whether any proceeds of sales has been credit into the bank account yet. The ED: Finance confirmed that the nursery funds should have been received by now. The ED: Finance confirmed there is currently c. £5m cash at the bank which includes capital funds of £1.5m.

7 Current Student Numbers (2020/21) and Financial Implications

The ED: Finance referred to the report prepared regarding current student numbers and verbally gave an updated position. The study programmes and EFA (16-19 yrs) allocation is 3004. Student numbers currently stand at 2833 enrolments excluding figures from sub-contractors and some enrolments still being processed which means the figures are nearing allocation. The 2021/22 16-19 income is based on this 2020/21 enrolment figures so it is hoped the enrolment figure will increase further as the original budget was set at 3004.

The budget for Higher Education (HE) has been set at 560 and current enrolment figures stand at 549. The split between full time and part time is not yet known. The ED: Finance confirmed the income from full time students is £6,900 compared to part time £4,400.

The budget set for August/September enrolments on apprenticeships was 303 (total yearly target 649) and there are currently 290 applications currently being processed. The ED: Finance confirmed that further analysis was required to understand the financial impact as there is a variation depending on what course apprentices were doing. The variation in income ranges from £3 - £26k over the length of the apprenticeship.

The Chair stated it would be beneficial to understand the financial and enrolment position earlier on in the academic year so that should adjustments be required, there was enough time to do this.

The CEO reminded the committee that it was important to remember that the figures are subject to any withdrawals. Currently there are a number of withdrawals which are being assessed to ensure they are for valid reasons and to ensure that appropriate information, advice and guidance (IAG) is being offered.

A discussion was had around the impact of withdrawals on the income. The ED: Finance confirmed that if students leave within the first 42 days (approximately the first half term) then this would impact on next year's income for 16 -19 year olds. The funding for HE and apprentices stops on the last day of their learning.

The ED: Finance confirmed there is confidence on student enrolment figures for HE and Apprentices, however, further analysis needs to take place to assess the financial impact based on the split of enrolments and subjects. The CEO stated that furlough may impact on apprenticeship figures.

The ED: Finance gave an update regarding the point about health and safety checks and that it was necessary to ensure all employers had the correct safety measures in place and employer's liability insurance. This can impact on timescales and does cause some hold ups and there is currently a piece of working being completed on this with regards to the risk to the Group.

Action: ED Finance to confirm the financial impact based on the split of the different apprenticeship courses and HE full time vs. part time.

8 Bank & Loans Update

ED: Finance confirmed receipt of a £500k business interruption loan for the NFPC which allowed them to repay the owed money to the Group in September. ED: Finance meeting with Natwest next week to discuss further. Extra funding has been received from the Adult Education Budget (AEB) which is to allow those over 18 without a job to gain access to education and training. There is also funding available from the technical employer's support fund. All funds received can be clawed back if not utilised.

Capital grant of £1.45m has been received for remedial work. Currently going through previous audits to assess what needs to be done. Work carried out needs to be invoiced by the end of March 2021. The work needs to be completed on B, C, D buildings for improvements. Ordinarily there is a request to match fund up to 25% unless there are mitigating circumstances. The ED: Finance stated that there is justification for RNN to not match fund given the current financial position, the Group will need to request this from the ESFA.

The deadline for submitting a report on how the funds will be spent is 16th October. The final deadline for submitting invoices, quotes and a report how we have spent it is 31st March 2021 otherwise the funds will be clawed back.

ED: Corporate Services stated the challenges are now around getting the work completed whilst the college campuses are in operation, especially during the busiest period for FE and education as a whole. Condition surveys were completed during the merger and the work around B & C work is in the region of £834k.

ED: Finance stated that this work can only be based on surveys that have previously been completed. The funds can also be used for items such as ramps into the building. Anything spent after 29th June can be included such as potentially the monies spent on Dearne Valley.

The ED: Finance went on to confirm that £1.5bn has been assigned by government for capital funding with the first £200m specifically for conditioning works. Subsequent funding tranches will be for new and improved works possibly for specialisms or institute of technologies (IoT).

The CEO confirmed that work is ongoing with Sheffield city region colleges and Sheffield Hallam University, as a consortium, with regards to appointing a project manager to bid for funds relating to IoT projects.

The ED: Finance stated that conversation was need to be had with Lloyds bank regarding covenants as they needed to be realigned. Information relating to enrolments needs to be finalised before this can take place. There are currently no issues foreseen with this. The ED: stated that Grant Thornton will need to be engaged and this will be done via a paper that will be prepared in November / December 2020.

The cashflow position is showing that currently there is £5.5m at the bank which will rise at the end of October. This assumes that the increased AEB funding will be spent evenly across the year and that all capital funds will be spent by 31st March 2021. In reality this may not happen but this gives the underlying position which is just positive at the end of March. This assumes that all funds will be spent and that nothing will be clawed back however that could happen.

The Chair confirmed that at the end of July 2020 the financial position is just over £1m. The ED: finance confirmed this was better than was forecasted which was closer to zero.

A discussion was had around the student figures used for forecasting and how the actual figures will affect this moving forward. The ED: Finance confirmed that this wasn't yet fully known. A reforecast will be done for the ESFA by 20th November. The ED: Finance confirmed that the HE and Apprenticeship enrolment figures could have an impact which could put a risk on March.

The ED: Finance raised the need for an additional meeting to take place in order to approve the cashflow forecast required by the ESFA prior to the 20th November.

Action: Director of Governance to schedule an extraordinary finance committee meeting to discuss the cashflow on Friday 6th November. An extraordinary board meeting also be scheduled for the following week to discuss recommendations.

J Pryke also requested that subsequent meetings commence at 5.30pm. It was agreed that this was acceptable moving forward.

Action: Director of Governance to amend the start time of the remaining finance committee meetings moving forward.

9 Capital Expenditure 2019/20 – Final Outturn

Nothing further to report. Dearne Valley monies to be spent in 2021.

2019/20 Year

i) Health and Safety

The ED: Corporate Services confirmed that a full report to follow and gave a brief verbal update stating that there had been no major accidents or incidents to report. Additional cleaning is taking place for COVID safety. The Group has a substantial stock of PPE and sanitising agents. The Group risk assessments have been sound with no major amendments needed. Confident we are COVID safe. There have been four reported cases which have been isolated.

ii) Estates

The ED: Corporate Services drew reference to the report circulated and in particular to the update regarding The Hub. The District Value Office has completed a valuation which has been returned at £84k. It was felt that this was a disappointing valuation. RMBC have issued heads of terms to progress with their desire to purchase the building. It is the only building on that particular piece of land the RMBC don't own.

Recommendation was sought with regards to accepting the valuation in order to move forward with an agreed sale.

Resolved: Governors agreed to accept the District Valuers report and to engage with RMBC with regards to the sale of The Hub.

The ED: Corporate Services discussed the situation relating to land owned adjacent to land owned by Lidl. There is a strip of land (as shown on the plan circulated) which needs to be redeveloped to permit acceptable traffic control. Lidl need to renovate a section of the wall which is currently on RNN land. To compensate they are offering to give back to RNN group a piece of previously owned land which would allow for 15 car parking space. Lidl have confirmed they will cover all legal costs. The ED: Finance noted the significance of the land owned by RNN in the development plans for the land occupied by Lidl which will include 74 dwellings, a retail outlet, pharmacy and a Lidl supermarket. The ED: Finance highlighted that it may be possible to use this as leverage towards benefits for learners such as apprenticeships.

Approval was sought with regards to the Lidl proposal. The committee stated that in order to approve they would require Lidl to commit to 20-30 apprenticeships across the Group.

Resolved: Governors approved the proposal by Lidl to renovate the land as requested in return for the additional land, all legal fees paid for by them and the commitment to take 20-30 apprentices.

The ED: Corporate Services also requested governors consider a report relating to the Dinnington campus and the options available. The nursery sale has now completed. RMBC have expressed a desire to purchase a significant proportion of the buildings: A, B, C, D and a small corner of another building. This has been valued by the district valuer at £735k. RMBC have been waiting to take this to a cabinet meeting but the meeting has been pushed back potentially until November. In the meantime RNN Group have commissioned Fisher German to undertake a Pre App in relation to planning consent for the balance of the land. RMBC planning have given a clear steer that the land is to be used for community education use and in order for change of use the land would need to have been for sale for a minimum of 12 months to demonstrate that there is no longer a requirement for the land to be utilised for community education purposes. This requirement does not consider that RMBC are in fact wanting to buy a significant proportion of the site for community and education use. Ultimately planning criteria SP62 needs to be satisfied in order to release the land for wider sale. Legal advice is currently being sought as to whether the sale of the buildings to RMBC would in fact satisfy this criterion. The balance of the land equates to approximately 7.5 acres and includes a small number of buildings but is predominately made up from paddocks.

A discussion was had regarding the costs that will be incurred during the 12 month period to secure and maintain the buildings left unoccupied. The ED: Finance stated there was an option to sell the remaining land without change of use but this would attract a lower value.

The Chair queried the value placed on the buildings RMBC are proposing to buy. The ED: Corporate Services confirmed that the whole site was initially valued at £2.25m. The nursery has been sold for £300k, RMBC are interested in the buildings at a value of £735k and the balance of the land is valued at £1.2m which slightly above the £2.25m value. The land is valued at approximately £4.5m with planning permission.

The ED: Corporate Finances stated there has been interest in the land as a result of Fisher German's pre-application which has resulted in several NDA's being signed. There are currently two very interested parties keeping in regular contact with Fisher German who are waiting to hear the outcome of RMBC's proposal.

The balance of the land hasn't formally been valued with planning permission but based on the calculation applied to the whole site it is envisaged that the balance would attract £2.4m should it have planning permission. An offer from an external party has been received for £1.2m.

The ED: Corporate Services feels it would cost in the region of £100k in order to achieve the planning approval plus the upkeep. The ED: Finance noted the impact this may have on the cashflow especially as there would be upfront costs.

The ED: Finance confirmed that any proceeds of sale received from Dinnington would result in 50% being payable to the bank.

The ED: Finance proposed that the balance of the land be put up for sale with immediate effect in order to commence the 12-month timescale without delay. Some consideration would need to be given to the red lines in order to protect access.

The CEO gave a brief overview of a conversation he has had with RMBC and their desire to purchase the buildings at Dinnington as well The Hub and stated there could benefits achieved from negotiating the sale of both at the same time.

Agreed : Recommendation to the Board to put the balance of the land up for sale with immediate effect.

Agreed: Recommendation to the board to accept the valuation of £735k.

iii) Procurement

The ED: Finance confirmed she is waiting on a breakdown on savings which have been made. There is some concern that catering may cost us more than initially thought due to COVID due to lack of use. Currently there is 15-20% turnover. Further consideration may need to be given to this.

11 Treasury Management Policy Review

To follow. To be placed on the Agenda for 27th January 2021.

12 Subcontractor Activity

The ED: Finance confirmed there have been some slight amendments to the subcontracts. Rotherham United has been increased by £50k due to 8 more learners being placed with them. Serenity has been doubled and the learners are in place to back up the reason for doing so.

The ED: Finance gave an update on a government consultation with ESFA on subcontracting which will result in changes going forward from 21/22. A full report is due which will require us to review our practices. In addition, we will need to review our AEB funding split between the two different regions due to some of this now being subject to devolution funding from the SCR. Currently we have an allocation of £7m however a proportion of this will need to be applied for moving forward for the SCR region. There is a meeting due to take place next week to start the negotiations with SCR. The ED: Finance is currently completing a piece of work to look at the split between the two regions and see what the financial impact could be.

13 Committee Work Plan 2020/21

To follow. Needs to be reviewed by KN/NR/VP.

14 Any other items of urgent business

None.

15 Date & Time of next meeting

Wednesday 21st October 2020 at 5.30pm

The meeting closed at 7.05pm

Signed ______________________________Chair

Date ________________________________