Meeting/Committee	Finance Committee
Date of meeting	7th July 2021

1 Declarations of Interest and Eligibility

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

2 Welcome, introduction and apologies for absence

Attendees:

Janet Pryke	Chair
Jason Austin	CEO/Principal
Jenny Worsdale	
Monika Rodzos	

In attendance:

Kate Noble	Executive Director (ED) of Finance
Tony D'Ath	Executive Director (ED) of Corporate Services

Apologies for absence

Apologies for absence were received from Tracy Jackson and Maxine Bagshaw.

3 Minutes of the Meeting held on 10th June 2021

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

Resolved: the minutes of the meeting held on 10th June 2021 were agreed as a true and accurate record.

There were no matters arising.

4 Action Progress Report

Committee were happy to note the content of the update provided and the actions outstanding. Executive Director Finance confirmed that the recommendation in relation to LIBOR transition has now been approved by the Board by way of written resolution. In relation to the other actions it was acknowledged that these would be considered during scheduled agenda items later in the meeting.

5 Retford Post-16 Centre

The CEO introduced this item and drew the committees attention to the additional report circulated. He advised that the college had met with partners earlier in the day and had specifically discussed provision plans for September 2021. He reminded the committee that the parties to the agreement are RNN, DAT, Elizabethan School and Notts County Council, because of the PFI arrangements.

He informed the committee that the college and partners had been discussing potential options for the future for several months now and that this is because DAT and Elizabethan are not delivering from the site and, as a consequence, RNN is using the majority of space. He drew the committees attention to the figures provided in the report and explained that these have been produced by DAT and are subject to a review by Notts County Council to check that these are accurate. Key matters noted were:

- The first table shows commitments on the current arrangements and the position is that Elizabethan and DAT want to review these as they are not utilising the building. Contribution from Elizabethan is currently £174k per annum.
- The second table is a proposed 'fairer way' of calculating the costs which are based upon anticipated utilisation.
- Total cost of the centre is currently £300k per annum
- On the basis of curriculum planning it is envisaged that RNN will require 1694m^2 which would be at a cost of circa £67k
- Elizabethan has significant costs but is not intending to deliver from the site
- DAT use the upstairs area for administration. College uses the downstairs area but does not need it all and there is 2290m^2 which is residual. Proposal from partners is to divide this residual area in to thirds with a one third share being equal to £29,597. This would then mean RNN payment per annum at £97,327k.
- RNN currently pays £35k to NCC and £26,384 to EAT

The CEO indicated that all parties are going to present this option to their respective boards and that there is also the potential to review annually as circumstances may change. He indicated that there are efforts to try and source alternative users and that, if this achieved, would reduce payments regarding the residual. CEO indicated that trying to resolve this through a legal route would be costly which is why this option is being considered. He confirmed that RNN does want to deliver in the Retford area and that there are options and opportunities to grow, both in terms of student numbers and different areas of provision.

Committee were asked to consider whether they felt the proposal was fair i.e. the college to pay one third of the residual. Committee discussed the figures and acknowledged that the total potential risk to RNN is £100k i.e. one third of the total. This is for a period of 11 years up to 2033. CEO advised that Elizabethan and DAT would walk away if they could but that this is not an option because of the original agreement. He explained that the schools had originally anticipated needing additional space which is why they entered in to the partnership however, because of changes to demographics, this is actually not the case. He advised that the 11 year commitment is because of the PFI agreement. Committee were advised that the costs currently presented are not index linked.

CEO advised that there is a further scheduled meeting with partners on 20th July 2021, where is it envisaged each will have sought a view from their respective boards. The proposal today is to reach an agreement for 1 year and that this would then be pending further changes which are considered annually.

One member of the committee asked whether there is a need for a delivered service in Retford and also what income is generated to offset the costs. CEO confirmed that there is a need in the area and that the curriculum plan is currently based upon 110 students in September 2021. Current numbers are 70 with income generated at circa £4k per student. He advised that it is possible to transfer these students to another RNN site, however they may choose not to travel. He confirmed that there is a good offer at the centre including Hair & Beauty, Health and Sport and that going forward there is potential to offer HE and apprenticeship provision.

One member of the committee asked what research had been undertaken by the college to better understand what extra could be offered at the centre as it is clear that 120 students are not enough from a financial perspective. CEO advised that the college has a good relationship with the schools and that part of the agreement is that they will not compete in terms of the offer and therefore the college could do more research in terms of school progression.

Committee asked whether there were other options for these students if the centre was not operating. CEO advised that they could go to Doncaster New College, stay at Sixth Form or the North Notts campus (part of the RNN group).

Committee asked whether the expectation is to include a break clause in the agreement. CEO indicated that all parties are locked in for 11 years because of PFI.

Committee discussed the update provided and acknowledged that there were limited options to pursue given the commitment previously made. A challenge from the committee was to try and ensure maximum flexibility as space needs may change year on year. All agreed that there was a need to increase the provision to ensure that the offer remains financially viable given that the college is committed to a third in any event. A question and challenge from the committee was in terms of how many students would actually need to be enrolled to make the financial commitment viable. Executive Director Finance confirmed that she would provide this information for the Board meeting (ED: Finance 14th July 2021). Committee agreed that it was important to know what is realistic both in terms of student numbers, potential income generation and the costs of delivery. As a general principle, committee agreed that they had sufficient information to be able to recommend to the Board that the college proceed on the basis of a third contribution but that further information is required so that financial viability can be monitored.

AGREED:

a) To note the content of the update provided
b) Recommend that the Board approve a renegotiated agreement on the basis of a one third contribution annually
c) Request that the Executive Director Finance provide additional information on the financials associated with the centre.

6 Covid-19 Update

Committee were provided with a verbal update and key matters noted were:

- Specific FE guidance was issued yesterday which sets out the position from 19th July 2021.
- New guidance will mean that the one way systems that operate can be removed and, in addition, the requirement for social distancing has gone.
- There is a greater focus on ventilation and a requirement to ensure 'good respiratory hygiene'.

- College will maintain sanitisation arrangements as there is stock available.
- Class sizes can increase.
- There is a requirement that students complete two tests in September before returning to college, this will be logistical challenge.
- Staff and students are expected to self test twice per week.
- Guidance will be reviewed again at the end of September.
- As at 5th July 2021, the college positive covid position is 4 members of staff and 78 students. Cumulative data is 9 staff and 176 students. These are quite low numbers when compared to the situation in schools, however schools are impacted by the bubble arrangements.
- College uses track and trace rather than requiring bubbles to isolate. Going forward it will be a track and trace system for all education settings which will mean that schools do not have to send home larger groups to isolate.

Executive Director Corporate Services indicated that providing the double test will be the logistical challenge however all acknowledged that circumstances and guidance could change before the restart in September. Committee acknowledged that the colleges own arrangements have been effective and the situation has been well managed across the whole RNN group and that very positive feedback has been given externally for the arrangements in place. Students and staff have been very compliant and supportive of the plans in place.

CEO advised that there had been a number of face to face taster events held in the prior week and that there had been very positive attendance with 77% at DVC and 92% at the North Notts campus. This gives a clear indication that visitors feel that the arrangements in place are safe and there is a general feeling that students just want to return to site.

AGREED: to note the content of the update provided.

7 Monthly Management Accounts – May 2021

Executive Director Finance presented the detailed information and indicated that the team have now updated the yearend forecast, including the position in relation to covenants, and therefore this information in the management accounts is now slightly out of date. Committees attention was drawn to the amber RAG rated areas which remain as apprenticeship provision and AEB.

Committee considered the position regarding NFPC and were pleased to note that income is now ahead of forecast. Expectation for yearend is £486k which is an improvement on the last forecast position which was £433k. Executive Director Finance indicated that the order book is looking good for the summer and that there are a number of other options/opportunities being explored. Managing Director is clearly now thinking more about diversification and there is a feeling that the company is moving in the right direction.

CEO indicated that there is a pending collaborative bid for circa £700k that NFPC would lead on if successful and that the outcome of this bid should be known in September.

AGREED: to note the content of the May 2021 Monthly Management accounts presented.

8 20/21 Yearend Forecast

Executive Director Finance drew the committees attention to document 7.1 which gives an I&E reforecast and shows the movements in year. Key matters noted were:

- AEB - £1.258 million has been provided for clawback together with an additional £250k in case there is further under delivery issues before yearend.
- Capital grants are a positive change and reflect the sale of Dinnington and the Hub. ESFA have confirmed that they will not clawback any monies in relation to these sites and therefore the overall position is that, whilst there is a loss on the sale value, there are positives in terms of income.
- In relation to commercial activities there is an upside position of £478k which relates to two provisions which have now been released.
- Pay – committee were advised that there is an upside variation as a number of provisions have been removed on the basis that, as the college is approaching yearend, it is not believed that they will be required. There is £100k provision remaining for the year. Pay position has been adjusted after detailed discussion with managers.
- There are increased costs for marketing
- There are remaining maintenance costs anticipated for the year
- Significant saving on subcontracting as the costs were incorrectly provided for twice
- Depreciation is now in line with expenditure
- EBITDA position has improved
- Expectation is a yearend deficit of just under £1 million
- Financial health is just into 'good'

AGREED to note the content of the update provided.

9 Bank Loans and Covenants

Executive Director Finance introduced this item and explained that it was presented by way of a stocktake so that committee are fully up to date. Committees attention was drawn to the transition arrangements and she confirmed that LIBOR changes have now been agreed, with the bank being advised of board approval via written resolution. College met with the bank on Monday and they are content that all covenants will be met on the basis of the current forecast and they are comfortable regarding the anticipated yearend position.

Committee were advised that, in terms of resetting covenants, there was discussion on whether bank would take a de minimis approach, however bank want to review at yearend before making any commitment. She explained that if de minimis provision is agreed then it would mean that, if the college does not hit the covenants, there is a sliding de minimis provision which would provide a cushion.

Committees attention was drawn to the schedule of repayments and particularly noted was that on 5th January 2025 there is £2 million to be repaid. If the college is able to sell further land at Dinnington this will go towards this. College currently repays £300k per annum and has asked to continue to repay this amount until the debt it settled, however bank have indicated that it is currently too early to start discussions in relation to this.

AGREED: to note the content of the update provided.

10 2021/22 Budget and 3 Year Plan (including assumptions & sensitivity analysis)

Committees attention was drawn to document 9.1 which provides the narrative and key matters brought to the committees attention were:

- Income – college has now been through all of the curriculum plans and the expectation is that college will achieve full 16-19 allocation. College is forecasting 360 more learners than the allocation i.e. growth, however no growth in income is assumed.
- In relation to 16-19 funding, 7.5% growth is the trigger for potential in year funding increases however ESFA will only fund between 7.5 and 15% and the college would need an additional 220 learners to hit the 7.5% trigger.
- College is taking a prudent approach to income
- In relation to AEB, the budget anticipates that full allocation will be achieved which was described as a 'tough challenge'
- In relation to apprenticeship provision, college is budgeting for £300k-£400k less than in 2020/21 because the carry in is lower. Committee were advised that the delivery costs are high and that these are being reviewed and it is likely to involve a new team structure.
- Budget expectation is 3314 students and full staff costs against these have been provided for, however there is some held back for churn/vacancies.
- 1% pay rise is provided for (£227k). If the college were to pay a one off bonus this would be £212k which is not much lower than a pay rise. 1% pay rise is also provided for in 2022/23.
- Committee asked for an update in relation to the anticipated AEB clawback and the impact that this will have on cash and covenants. Executive Director Finance indicated that the current forecast does not include an expectation to pay the full amount in December 2021 and that the college has asked ESFA to take £250k in December 2021 and then £1.25 million in May 2022. College has been asked by the ESFA to prepare a report which shows the impact of the timing of repayment on finances.

Committee were advised that, including provision for the pay rise will take the college in to financial health calculation of 'requires improvement' in 21/22 and then 'good' in 22/23. Committee were advised that the forecast provides fully for costs but does not include potential additional income.

Committee asked whether there will be a reduction in pay costs if the student growth numbers are not achieved. Committee were advised that potentially this is the case but that it really depends where the student numbers sit. If student growth is achieved then this could potentially mean another £600k for the college. Committee were reminded that, to be able to submit a business case for growth, then the trigger is +50 students over the 7.5% growth threshold.

Executive Director Finance indicated that the financial health calculation for 22/23 is 'good' and that this is without planning for significant growth.

In relation to non-pay, committee were advised that 2% increases have been assumed.

Committee then discussed the pay rise position in detail and were advised that other colleges in the area are planning for an increase, with Sheffield at

1.5%, Barnsley 1% and the average in Lincolnshire is 1%. Committee were reminded that the FEC target is to get to a financial health calculation of 'good' in 21/22 and therefore the choices are:

a) No pay rise and the college financial health calculation stays at 'good', or
b) Provide for a pay rise and accept a financial health calculation of 'requires improvement'.

Committee were remined that there is a £250k difference between RI and good.

A challenge from the committee was to carefully consider the concerns that exist in terms of staff churn and it was felt that not paying an increase would exacerbate the situation. It was acknowledged that the college does have recruitment challenges in some area and that again this would be exacerbated if other colleges in the area are making an award and RNN is not. Executive Director Finance confirmed that the budget does include a number of provisions and therefore it may be possible to get to 'good' even without the extra student number growth. She described this as a prudent and cautious budget.

Committees attention was drawn to the sensitivity and covenant analysis and committee were given assurance that the aspiration is to improve upon the position.

AGREED:

a) to note the content of the update provided
b) recommend that the Board approve the 2021/22 budget and updated financial forecast as presented.

11 Finance on a page

Committee all agreed that they found this document very useful and Executive Director Finance confirmed that it summarises the current year and has also been updated for the next two years based upon the budget and reforecasts just discussed.

AGREED: to note the content of the update provided.

12 Subcontracting

The Executive Director Finance apologised for the fact that an incorrect document was included and she agreed to circulate the 2021/22 proposals by email (ED Finance 8.7.2021) . She indicated that committee would need to be comfortable that a recommendation could be made to board to approve.

Committees attention was then drawn to the amendment to the subcontracting strategy document and she explained that the change made relates to subcontractor payments i.e. the college cannot pay any less than 20% which is in line with the updated guidance.

AGREED:

a) to note the content of the update provided
b) review the 2021/22 plan outside the meeting
c) recommend that the board approve the updated Subcontracting Strategy as presented

13 Estates Report

The Executive Director Corporate Services introduced his detailed written report and confirmed that there have been no significant changes since the last meeting. Summary points include:

- Kiverton Park – as last reported
- Gas testing centre – works have now been completed and the curriculum are taking ownership
- Lidl – there has been some further contact and the college is awaiting formal heads of terms
- Langold – as previously reported
- Idle Valley – this is small scale provision but there is potential for increased use
- Dinnington – no change to previous report and the college will obtain a fourth quote
- Staff restructure is ongoing and progressing to plan
- Condition works continues and there have been a few small overruns e.g. some issues with the roofing

Committee asked whether the college had received any response to the capital bids submitted and were advised that no further updates had been received.

AGREED to note the content of the update provided.

14 Bid updates/Summary

Executive Director Finance introduced this item and confirmed that the table summarises the current bids and that sitting alongside this is a spreadsheet which details the KPIs and the deliverables for each. She confirmed that there is nothing associated with these included within the budget. Some of the bids if successful will be a breakeven position whereas others could be a positive to the budget.

AGREED: to note the content of the update provided.

15 Sure Start Partnership Funds – Distribution Proposals

AGREED: to record this in confidential discussions.

16 Bad Debt Write-Off Proposals

Executive Director Finance provided a verbal update and indicated that there is one bad debt to be considered. This is an amount of £62,100 which has been fully provided for. This relates to an overpayment to a subcontractor where there was clawback. College had repayment terms agreed with them at £3k per month however the last communication was in January 2020 when company indicated that they would be dissolving. Recent enquiries with Companies House shows that they continue to exist and they have been contacted with the threat of winding up. Owner has now responded and asked for time to come up with a payment plan which is to be considered when received.

AGREED: to note the content of the update provided.

17 Annual Review of Financial Regulations

Committee considered the update and acknowledged that there were no major changes and, on this basis, they were happy to recommend that board approve.

AGREED: to recommend that board approve the updated Financial Regulations as presented.

18 2020/21 external audit of Financial Statements – key milestone dates

Committee were advised that the audit plan has been reviewed by Audit and Risk Committee and they are satisfied to proceed on the basis of the proposed position. Committee all agreed that it was in the colleges interest to complete the audit work as soon as possible and hit the 31st December 2021 deadline, which will mean that accounts have to be in a position to be approved by Board at the December meeting.

AGREED: to note the content of the update provided.

19 Committee Review

In the absence of the interim Director of Governance it was agreed to defer discussions on this item to the next meeting.

20 AOB

There were no items of additional business.

21 Date and time of next meeting

This was confirmed as 30th September 2021.

Committee took the opportunity to thank the Executive Director Finance for her contribution to this committee and the college, it being acknowledged that this is her last Finance Committee meeting.

The meeting closed at 6.50pm.

Signed ___________________________________ Chair

Date ___________________________________