

Meeting/Committee	Finance Committee
Date of meeting	10 th June 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:

J Pryke	Chair
J Austin	CEO/Principal
J Worsdale	
T Jackson	

In attendance:

M Bagshaw	Interim Director of Governance
K Noble	Executive Director (ED) of Finance
T D'Ath	Executive Director (ED) of Corporate Services

Apologies for absence

Apologies for absence were received from Monika Rodzos.

3 Minutes of the Meeting held on 29th April 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 29th April 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 acknowledged that agenda items were scheduled for discussion.

5 Covid-19 Update

The CEO provided a verbal update and key matters noted were:

- There has been no change in relation to the number of positive cases,
- There are no positive cases relating to staff, although one member of staff is isolating,

- Numbers were discussed at the Rotherham CEO's group meeting earlier in the day and numbers are relatively low with only 6 patients in the hospital, however a very cautious approach is being taken in relation to the new variants.
- No testing is now done at any of the college sites,
- 52.3 million tests have been completed in the UK up to the end of May 2021,
- College will draw down funding available for the tests completed,
- 16-19 tuition fund has been extended for 2 further years. Any unspent funds can be used next year, this is circa £300k for the group. Principal confirmed that the college has made every endeavour to spend the funding available but that it has not been possible.
- There will be some additional funding made available for Year 13 resits. It is not envisaged that this will apply to a high number of students but staff are collating the information now.
- DFE have recommended that there be no international visits until September 2021 which has impacted upon the planned ERASMUS trip. This has now been postponed until next year.
- College has been asked to update its plans in case face coverings and on site testing are required again. This is in anticipation of potential local rules being introduced, as is the case in Manchester. The concerns nationally relate to the new variants. Committee was given assurance that the college is following all of the guidelines provided.

Committee asked whether students are compliant. CEO confirmed that they are and that there have been no complaints from staff in relation to this. All agreed that it was really pleasing to see conformity.

Committee made the observation that 16-19 tuition fee funding is sitting in revenue. Executive Director Finance indicated that the underspend will not have an impact on I&E as there are expected associated costs which sit against this.

AGREED: to note the content of the update provided.

6 Monthly Management Accounts – April 2021

The Executive Director Finance drew the committees attention to the detailed report and she confirmed that the team are still working to reforecast and the current expectation for yearend is EBITDA of £1.56 million. Committees attention was drawn to page 3 which details the movements, including:

- College is down on some areas of income for the year to date position,
- College has provided for significant AEB clawback which is estimated to be between £1.25 and £1.4 million but depends on what can be achieved in relation to distance learning.
- National clawback figure is anything less than 90% which should be compared to Liverpool which is 68% on the basis of being a devolved area/greater autonomy.
- College has asked the ESFA to take the clawback in May 2022 to avoid any breach of bank covenants
- It is becoming clear that Treasury really needs to recover monies which is why such a high protection figure has been set.

Committee considered the pay and non-pay lines on page 3 and asked for an update in relation to the underspend variances. Executive Director Finance indicated that, whilst the position is a current underspend, it will actually get to an overspend by next year. This sits against an underspend on income and costs which will be clawed back at yearend which will produce an overspend.

Committee asked for a summary of the yearend risks. Executive Director Finance indicated that they are:

- AEB clawback
- Some aspects in pay and non-pay, however it is believed that other aspects can be released to offset. Staff are currently reviewing this. Executive Director Finance indicated that other than these two aspects there should not be any surprises that are not already provided for.

Committees attention was then drawn to the information provided on cash flow and covenants and it was explained that this is based upon AEB clawback being taken in May 2022. If this is not the case then the group will breach the bank covenants. She advised that the bank are open to the possibility of needing to issue waivers and she explained that the college will need a letter from the bank before 31st July 2021, as a waiver cannot be issued retrospectively and has to be provided in this financial year.

AGREED: to note the content of the update provided.

7 Finance 'on a page'

Executive Director Finance presented this item and explained that it summarises where the college is. It provides information against ESFA KPIs and internal targets. All acknowledged that this really highlights where to focus attention and allows the committee to ask the right questions.

Committee asked whether there were any particular concerns which need to be highlighted. Executive Director indicated that these are:

- Pay costs – draft budget has a similar position and will be a focus for the FEC and ESFA. She confirmed that the team were reviewing again.
- Cash – position is looking fairly good but there is a continual need to monitor and control and particularly the impact of the timing of clawback. Clawback is usually in December but the college has asked that this be delayed until May. She confirmed that a December clawback would cause difficulties regarding showing going concern to external auditors.

AGREED: to note the content of the update provided.

8 LIBOR Loan Facility Transition

Executive Director Finance introduced her detailed report and confirmed that Lloyds are removing the LIBOR interest rate calculations. Their proposal is to move to bank base rate calculations. Executive Director Finance confirmed that her recommendation is for the college to move ahead with the bank rate option as it suits the size of the loan in place and the education sector. Other option is SONIA but this is more difficult to predict. She confirmed that the bank will not charge for the change as it is a straight forward move.

Committee discussed the options and all agreed that utilisation of a base rate calculation is transparent and better to predict which is desirable. Executive Director Finance indicated that the change will actually be more transparent than LIBOR ever was.

Committee were happy to recommend the proposed change to Board and it was agreed that the Executive Director Finance would seek approval via written resolution. (ED F, June 2021)

9 Budget Assumptions 2021/22

The Executive Director Finance introduced her written report and confirmed that what was provided today are the very high level assumptions, including:

- Funding for 16-18 and AEB
- Apprenticeship provision – it is believed that revenue will be higher than the £2.5 million and it is a matter that the planning tool has not pulled in all carry in activity and as a consequence the position could be circa +£600k.

A challenge from the committee was the level of growth provided for in the Sheffield City region and they asked how realistic this is. Executive Director Finance indicated that an additional £600k has been planned for but acknowledged that currently there is a gap. She indicated that for next academic year colleges are allowed to subcontract up to 25% of total allocation and that this will mean bringing a lot more activity in as direct delivery. She confirmed that currently there is a gap and it will be a challenge, however provided assurance that the change in policy means that direct delivery now has full focus.

One member of the committee asked for an update in relation to Bridge Court. It was explained that this relates to HE delivery and not AEB.

Committee asked what assumptions had been made in relation to inflation. Executive Director Finance indicated that AOC assumptions in relation to this are used and that they are normally 2%. She confirmed that full details on this will be included within the budget report which will come in more detail to the next meeting. (Executive Director Finance, July 2021)

Committee were reminded that a new Director of Adult Delivery has been appointed and that this supports the FEC recommendation to closely monitor direct delivery and contracts. A challenge from the committee was to continually monitor the AEB position as the subcontracting cap will mean that they can't be used as a 'plan B' later in the year. Executive Director Finance confirmed that the committee would receive a full review report at the next meeting including full sensitivity analysis. (Executive Director Finance, July 2021)

Committee indicated that it would be interesting to review what was planned for 20/21 and what has changed throughout the year in terms of both direct and subcontracted activity.

AGREED: to note the content of the update provided.

10 Retford Post-16 Centre

The CEO introduced this item and he confirmed that the situation was very frustrating and that the college has taken legal advice. He indicated that an agreement was reached but that one party did not sign it and therefore this means that college has been operating for 2 years without a legally binding agreement.

He advised that there are a number of options but that what is critically important is not to let students down in September. He confirmed that alternate exit strategies have been considered, however none of these leave

RNN in a better financial position. He confirmed that the college is committed to delivery in September 2021 and will continue with all party dialogue to try and resolve. It will mean that the college owes some additional monies for use of the facilities over the 2 year period. He advised that the other parties to the agreement want to exit and are looking at potentially others taking over the agreement e.g. a creche, however there is fairly limited traction in relation to this.

Committee asked for a summary of the financial impact. CEO advised that the college currently pays £40k per year which is due to run for another 11 years. Other parties to the agreement pay significantly more and as a result are seeking for the college to increase its contribution. He indicated that the revised agreement, which has now been determined as being null and void, would have seen the college pay £161k per annum. Executive Director Finance confirmed that the £161k has been included within the 21/22 budget so that there are no surprises but there is potential to offset some costs as part of the use at Idle Valley.

Committee asked for an update on the type of provision that operates out of Retford Post-16 Centre. It was explained that this Hair & Beauty to Level 3, Sport and Art & Design. CEO advised that Art & Design applications next year are only 11 and therefore the college will not be offering this. Currently there are 70 students this academic year. Committee asked whether there is potential for more students. Principal confirmed that it is possible but would require an increase in space available however currently the student numbers for 21/22 are static. He indicated that the numbers are simply not coming through at the rate as anticipated and it is believed that this is because of covid. Committee all agreed that this was 'one to watch'.

AGREED to note the content of the update provided.

11 Estates Report

The Executive Director Corporate Services drew the committees attention to his detailed report and an update was provided in a number of areas:

- 1) Kiverton – he advised that he has today received an email indicating that searches have identified a strip of land which is 'not owned'. It is believed that the council can lay claim to it but this will not impact upon a change to the figures and heads of terms.
- 2) North Notts – gas testing centre works will be completed next week and the intention is to work to support all students to complete their learning.
- 3) North Notts main campus (Carlton Road/Blythe Road Junction) – there has been no progress made with Lidl
- 4) School Lane Langold – no change
- 5) Idle Valley – there is a meeting next week but it is envisaged that the position will now be more challenging for the Trust as Elizabethan want more of the site.
- 6) Dinnington – he drew the committees attention to the addendum paper and explained that there were two threads to consider. Cube have shared their vision for Dinnington postcodes but not any financials. The college will need something more concrete than the vision shared. He confirmed that the report provided includes a significant spread of possibilities regarding the value and indicated that proposals from developers all include a number of caveats and conditions.

He confirmed that advisors believe that the college may have a stronger case regarding the caveats and conditions if it were to undertake some of the initial surveys and he provided a rough estimate of the costs associated with surveys in relation to drainage, topography etc. at circa £24k. He indicated that it will take between 6-8 weeks to complete part 2 works and surveys and all agreed that this would be an option worth exploring.

Staff confirmed that the college remains engaged with the community but does have to balance options in relation to developer interest. All agreed that it was necessary to continue dialogue on both aspects.

One member of the committee whether developers could help Cube to develop their vision. Executive Director Corporate Services expressed the view that developers seem to be looking at something different. Cube are looking at social housing, a community centre, sports facilities etc. All acknowledged that planning could influence the need for social housing or could lead to an imposed levy. Committee were advised that it is still another 3-4 months before there is more certainty regarding the options here.

Committee agreed that by spending the £24k it is likely to remove some of the reductions developers would try to negotiate and would in effect minimise and mitigate the risks in this area. Committee agreed that it would be money well spent and would certainly improve the position in relation to knowledge. Executive Director Corporate Services confirmed that surveys completed will continue to have a value over time as the college is not planning to do anything with or to the land. Executive Director Corporate Services confirmed that the required number of quotes would be obtained for the survey works proposed.

Committee were given a final update in relation to the restructure of the estates management team and the Executive Director Corporate Services confirmed that it was progressing to plan.

AGREED:

- a) To note the content of the update provided
- b) Approve the proposal to undertake site surveys at the Dinnington site

12 Risk Report – Relevant Finance & Estates Risk extracted from the risk register

Executive Director Finance introduced this item and explained that it was a report based upon the old system and that these aspects have not yet transferred onto the new system. She described the new system as a 'work in progress' and indicated that fully enabling was taking just a little longer than envisaged.

Committee asked whether there were any specific aspects to be highlighted. Executive Director Finance indicated that there was nothing over and above that which is already known in relation to 16-18 and AEB. On reflection it was agreed that AEB should be red RAG rated rather than amber.

AGREED: to note the content of the update provided.

13 Exceptions Report

Executive Director Finance confirmed that there was nothing to report to committee at this stage.

14 Date and Time of Next Meeting

This was confirmed as Wednesday 7th July 2021.

15 Confidential Items

It was agreed that confidential items would be recorded separately.

The meeting closed at 6.30pm.

Signed _____ Chair

Date _____