Minutes

RNN GROUP

Meeting	Finance and Resources Committee		
Date	Tuesday 12 March 2024	Time	17:00
Venue	Google Meet		

Attendees:	Paul Lomas (Chair); Jason Austin; Margaret Cobb; Debbie Marshall; Janet Pryke; Jenny Worsdale
In attendance:	Phil Curtis (Executive Director of Finance and Estates; Jane Hartog (Executive Director of Marketing, OD and HR); Cath Mollart (ED: Corporate Services and Strategic Planning); Sarah Connerty (interim governance advisor and minute taker)

		Action
1.	**Declaration of interests in any item on the agenda** The meeting 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** Apologies received from Dan Stanbra (Director of Adult Education and Contracts)	
3.	**Minutes of the meeting held on 16 January 2024** **AGREED:** The minutes were reviewed, and it was agreed that they were an accurate record of discussions	
4.	**Actions outstanding and matters arising from the minutes** Progress on all actions is included in the agenda items.	
5.	**HR update** **1. HR Strategy and KPIs** The ED Marketing, HR and OD reported that the strategy was a key item on the Board strategy day. The Chair has fed back from the day and updates are included. There are three key additions since the last meeting: • AI for recruitment • AI for staff development • Introducing further staff development opportunities The second paper includes an update on recruitment, which shows a number of outstanding vacancies (42 vacancies which is approximately 62 roles) and there seem to be some green shoots coming with increased application numbers in a number of areas. Recruitment remains a challenge though in the areas of Construction, Engineering, Health, Maths and English. The Staff Development Policy has been launched to all staff. The Management Development Programme has been continued in 2024 for team leaders and supervisors of staff who aspire to move into management. The Insights Leadership programme for SLT will be launched on the 13th March 24 and will be rolled out to CMT later this year.	

	The Estates restructure commenced on 1 February 2024. The consultation period ended on the 1 March 2024. An overview of the staffing numbers was discussed and the additional information provided confirmed this covers core staff. One governor asked for clarity on the terms of RES staff. The ED Marketing, HR and OD explained that RES is an internal agency. There are a few RES employees with employer rights but with different rights from RNN core staff. The majority of RES workers have different employer rights and are flexible which some staff prefer. One governor asked about environment and sustainability at the Group and the ED Finance and Estates noted that there is action needed on the outputs around this area. It was noted at the internal Environment and Sustainability Committee that the lack of pace around environment and sustainability issues was very clear and there is still not an approved strategy in place. The Chair asked if there is a major negative impact on the learner experience from recruitment issues or is it managed within the resource available. The ED Marketing, HR and OD noted that Maths provision is struggling, certain areas are improving and certain areas remain the same. It is too early to say if the impact from the pay award is making positive change to recruitment and retention of staff, although more people are applying to roles and it is now about the calibre of candidates. There are issues with a number of crucial roles. The feedback is that people like working here and like the culture. Feedback shows that people weren't leaving because of culture but because of salary. [confidential item]. The Committee asked if the impact of the new roles around English and maths (E&M) is being seen yet and it was noted it was too early to know and this will be part of curriculum planning. [confidential item]. The Committee noted that there will be a massive demand from September for English and Maths teachers and asked if a bonus scheme is the best way to attract candidates instead of salary. The ED Marketing, HR and OD reported that increasing salaries for English and Maths staff would cause problems on a wider basis and the bonus scheme could addresses this. One governor reported on the sector changes for E&M from September and the ED Finance and Estates confirmed that the funding has more than doubled and now stands at £1.1m. The differences between schools and colleges delivery and directed hours (1300 in schools compared to 900 hours in colleges) was discussed. In the new regime teaching needs to be face to face and from September 2024 for three hours of English and four hours of Maths which is 25% more teaching in terms of cost. The Committee asked how this will work when average class sizes for E&M have been low. It was agreed that there are lots of areas to review and a detailed discussion will take place at Quality and Standards Committee. One governor asked how the new delivery of carousel and E&M coaches will work face to face as that is down to the motivation from the students and would this mode of delivery be affected by the new ruling. The ED Finance and Estates confirmed that as long as the hours are delivered face to face it is down to individual institutions to organise. E&M can be delivered by the curriculum area rather than by the E&M team if this is better value for learners. **ACTION:** The Director of Adult Education and Contracts to provide greater detail to the Committee around the new rules on E&M from September 2024 and the Group's strategy. **Pay award** – the ED Marketing, HR and OD reported that this has gone really well. There were only four questions received from staff, there have been two good staff voice meetings and the unions have been supportive. All actions have been put in place. **Staff Sickness** – within the KPIs is a target to bring sickness levels down to the AoC benchmark (2.7%). A lot of support takes place and there is a lot of work with managers in	

	this area but it is very challenging. The Committee asked what plans are in place to address sickness absences, what the team are doing to address it, and is it moving in the right direction. The ED Marketing, HR and OD noted that sickness levels are variable. Levels had dropped below AoC targets, then went up during November and December 2023, with stress and mental health being the highest reason for absence, they are now reducing again. There are staff working on this and managers understanding sickness is a key training area. **Staff Turnover** – this stands at 26.6%. The AoC benchmark is 17.6% but it was agreed this would be too challenging and a 19% target is proposed with the aim to work towards the AoC benchmark. **AGREED: KPIs for People and Place in the Community** – the Committee considered and agreed to take forward the KPIs to the Board for agreement as follows: • Improve staff engagement and health & wellbeing to increase performance by reducing overall sickness absence to the AoC benchmark of 2.7 % by the end of 2024. • To implement strategies across the group designed to reduce the level of voluntary turnover to 19% by the end of 2024. • To roll out and complete an all staff, staff opinion survey by the end of April 2024. To run focus groups following the results of the SOS and feedback on the results and actions to be taken from the SOS, by the end of July 2024. • To amend the SRF process, linked to accurate establishments figures by the end of 2024 making the process more streamlined and efficient. • 80% of curriculum sectors at each College site to have an employer academy by July 2024 and 100% of curriculum areas link with relevant employers to plan curriculum. The Committee agreed that the targets are challenging and are very measurable. The Committee asked about the work with Dave Cosgrove on KPIs and it was noted that this work will commence once the financial modelling in ITrent is in place. The Committee considered the higher level strategic focus with everything on one page. It was agreed that it is a good document to focus the minds and give an overarching view of what the Group is aiming to achieve. **ACTION:** It was agreed to include the word excellence and continuous improvement in the document. The Committee asked if the detail in the HR Strategy fits behind the pillars and the ED Marketing, HR and OD confirmed that the two documents dovetail together very well. One governor asked how contribution rates match to the staff turnover and it was agreed to address later in the agenda. It was noted that one governor had sent through a number of questions on the papers in advance of the meeting and these were addressed during the discussions.	Dir Adult Ed & Contracts ED Marketing, HR & OD ED Marketing, HR & OD
6.	**ICT Strategy** **Update on structure** The ED Corporate Services and Strategic Planning reported that she had started managing IT a year ago and one of the key focuses was to do a full review of the service offered. [confidential item]. The Deputy Head is designing a new digital hub and has set up a working group on AI.	

	An external audit of the infrastructure was commissioned to identify challenges, investment and risk and this has taken time to complete. The report was shared today with Exec. It highlights key areas of immediate concern for investment. There are a number of areas that do stand up and it is clear that historically there was heavy investment in IT but this was not reinvested in and there are a number of priority actions now required. The audit outlines the immediate, year 2 and year 3 priorities and this will inform the IT and Digital strategy. There are some large challenges coming up including the new build requires IT input, new CCTV for the group, Wi-Fi at Rotherham campus, outdated switching, work around alignment of access control across the group. The Group is looking to use Highlander to support IT going forward and a meeting is taking place on Friday to look at how it would work and the costings. The ED Finance and Estates confirmed that he will look into the procurement and there may be pockets of funding that can be utilised for this work to allow the cyber essentials to be started sooner. After this process is underway work will start on the IT Strategy. The Committee asked about priority work required, the risks associated with this and asked if the issues are to do with the Group's systems being end of life and staffing structure. The ED Corporate Services and Strategic Planning noted that first and second line IT services work well. Third line work in a closed environment and there is no succession planning in place. There is assurance that systems in place are functioning and there is no risk from a cyber-attack. The works need to be completed prior to applying for Cyber Essentials. The Committee asked how many technicians are in role and it was confirmed that there are four line 3, five line 2, a helpdesk supervisor and two apprentices. It is a cost effective structure but some of the skills are not in the right places. The work with Highlander will help move forward with a three year plan to update infrastructure and equipment. It has not been managed for a number of years and there is a lot of work to be done. The Principal and CEO noted that there are a lot of areas to improve and some of these areas are of a high priority. It needs a timed plan over the next three years of what needs to be done. Much more utilisation of the cloud and simplification to reduce the number of independent domains in place through merger are important to reduce the volume of servicing and manpower. The Committee felt that the Group is on the right path and it is important to move forward in terms of the curriculum. It is about the infrastructure and the structure for the future and best value for money. It was noted that the Audit and Risk Committee asked to be kept informed of the ICT strategy progress and the ED Corporate Planning and Strategic Services confirmed that she provided the Audit and Risk Committee with an update at its last meeting.	
7.	**Finance Report and Management Accounts – January 2024 including finance on a page** The ED Finance and Estates took the reports as read. Key items discussed included: • the figures have been updated following learner recruitment and announced funding changes • an updated 16-19 allocation increasing funded learners from 2730 to 2930 with total additional funding of £1,354,448. £132,865 relates to bursary funding leaving £1,221,582 relating to core programme funding. It is £600k more than expected • changes to AEB and subcontracting have been incorporated into the figure with no impact to EBITDA • EBITDA is slightly higher than forecast. A Good financial health grading is based on not reducing EBITDA by more that c£500k. Targeted savings of £125k are included in the current forecast and work is underway with relevant departments to ensure this is achieved • staff costs have increased by £1m and other operating costs by c£800k • [confidential item]	

- Financial health is Good with 190 points on the revised forecast. This assumes the Lloyds loan is repaid in January 2025. Included is a self-assessed financial health of 210 based on the assumption that the loan is refinanced
- with the loan moving to the ESFA it will transfer into short term liabilities
- reconciliation of AEB costs is included in AEB item and will be updated in the finance papers
- the Chair of the Board noted that the ESFA had been reminded about the loan application at yesterday's Annual Strategic Conversation
- [confidential item]

K**PIs 2023/24 (Finance and Resource items)**
The ED Finance and Estates presented a number of KPIs which were based on previous years:
1 Financial health that generates operating surplus to reinvest in facilities for the benefit of students and the communities we serve:
• Financial Health: Good
• ≥190 points for 2023/24
• ≥210 points for 2024/25
2a Grow core funding or learner numbers through increased market share of:
• 16-18-year-olds (+3%),
• Apprenticeships (+3%)
• Adults – Achieve Grant Allocations including any Growth Bids.
• HE loans (Yr1 starters +3%).
• Increase commercial income by 20%.
2b Control Costs within KPIs:
• Materially the same as agreed in budget July 2023 (2022/23) EBITDA
• ≤67% of income on staffing costs (2023/24)
• ≥5% of income for EBITDA (2023/24).
3 To restore revenue reserves.
• reduce deficit by >£500,000 (2023/24)
• reduce operating loss by £1,000,000 (2023/24).
• maintain cash balances of over £3,000,000 at each month end.
4 Maintain a robust framework for audit and risk management
Linked to the strategic plan, and is used for decision making that includes the development of financial and risk management skills throughout the organisation, developing a culture of financial
understanding and accountability.

Internal Audit and External reviews (i.e. ESFA):
• 100% cost vs benefit review for not implementing recommended Actions.
• 90% Actions completed within agreed timescales (High and Medium Risk).
• 50% Actions completed within agreed timescales (low Risk).
Risk Management:
• >75% Governors understand and use Risk Appetite to in decision making.
• 100% Risks reviewed where residual risk score is greater than risk appetite.
• 80% Risks operating within appetite parameters.

5 Maximise Capital Funding to improve the Estates and IT
To reduce revenue expenditure, enhance the curriculum and reduce carbon footprint.
• Reduce condition need across the Estate by 10% in m2 across the Group (category C&D as measured between the 2019 and 2025 FECDC surveys).
• Maintain 80% of the IT devices and infrastructure within agreed depreciation policy.

9.	• Reduce Net Carbon Consumption by 20% by 2024/25 compared to 2022/23. The Committee questioned the number of KPIs and whether they would be difficult to manage and monitor against. For the benefit of the Board it needs to be readable and understandable for everyone. **ACTION**: The ED Finance and Estates will review the KPIs prior to the Board and agreed to put together a summary on the terminology and will take on board the comments to ensure it is user friendly. The Chair suggested including a worked example. The ED Finance and Estates noted that he could slim down the number of KPIs in the first year and reincorporate relevant KPIs in future years. The Committee explained that it is about not creating a lot of work around a KPI that isn't needed. The aim is to demonstrate progression and improvements. The Chair of the Board suggested looking at the key points to demonstrate a problem or area of comfort. One governor questioned why the KPI on risk management does not include staff as well as governors and whether the wording was right when the role of the Board is to oversee and monitor. The Chair asked what support the ED Finance and Estates needs from the Committee to get the KPIs ready for agreement by the Board. **ACTION:** It was agreed to send any comments to the ED Finance and Estates by first thing Monday for inclusion in the Board paper. One governor asked where the Group is with the HE strategy. It was noted that several meetings have taken place and an external body is in place to support. **Bank Covenants – compliance against covenants** The ED Finance and Estates noted that the details show a slight difference from the finance paper. It is based on the forecast and should be based on actuals. There is an adjusted EBITDA of 2.9:1 which is just within the tolerance of 3. Cash balance has to be over £3m and stands at £3,957,438.52. The first test of covenants has been reviewed and signed off by the ED Finance and Principal and CEO. There is full compliance against MPM.	ED Finance and Estates All
8.	**Adult Education and Contracts update** The paper was circulated to the Committee immediately prior to the meeting so the ED Finance and Estates provided an overview. Current AEB Performance is on track to realise the full £6.97m allocation with potential for over performance. A Growth Bid to enable over performance has been submitted and is awaiting response. At the present time the likelihood of sanctioned over performance of up to an indicative £7.4m appears unlikely. Subcontracting Profiles for ESFA 16-18 and AEB are on track for realisation. One governor reported that she had a good meeting with the Director of Adult Education and Contracts and really hard work has gone into this area of the Group and asked for this to be fed back. The meeting had raised that DVC and NNC are underperforming and distance learning will pick up any areas of underperformance and that Maths and English staffing is the biggest challenge at the moment. The Principal and CEO noted that the Director of Adult Education and Contracts is confidently reporting on AEB and subcontracting and he has made a lot of impact with the support of Board and Exec colleagues. There have been consistent improvements over the last four years he has been in the role and he would relay the feedback from the Committee. The Committee welcomed the consistency of data across the AEB and finance reports.	
9.	**Curriculum Plan Contributions 2023/4 (action 9)**	

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<tr><td></td><td>The ED Finance and Estates noted that the Committee had requested at the last meeting more detail in the narrative.
Governors had asked for the following to be included:
an explanation of why distance learning is so expensive to deliver is included in the analysis
when contributions are out of synch to include data from the previous year
How agency cover affects contributions
The ED Finance and Estates reported that he had included prior year comparators in the report and has incorporated additional funding which has increased contributions by 2% overall.
The Committee noted that it is encouraging to see that there is only one area that is a deficit and to see the spread and mix. This is partly to do with additional learner numbers and larger class sizes and learner recruitment is key to some of the improvements.
The Committee asked how nuanced the data is. The ED Finance and Estates reported that there are weighted incomes based on funding, there are some issues around costs and apportioning but they are not as significant as the staff costs. There is some tidying up to do and some areas might go up and down. Maths and English is currently included as part of a study programme and this needs to be attributed to Maths and English.
There are some high contributing areas which have low staff costs.
The Committee asked if there is any correlation between high contributing departments and high staff turnover. The ED Marketing, HR and OD noted that it is hard to look at this specifically and sickness is higher in support rather than academic staff.
The ITrent HR system will be able to provide live time data for areas such as sickness and will allow key areas and trends to be more easily identified. In the medium term a dashboard for each curriculum area will be produced looking at measurable outputs. There is no timeline yet for this work.</td><td></td></tr>
<tr><td>10.</td><td>Treasury management policy and investment strategy (action 11)
The ED Finance and Estates noted that the Group has £4m in the bank which will increase next month with capital funding and that it is deemed good practice by HM Treasury to invest surplus cash to increase funds.
The Chair of the Board asked how robust the cashflow forecast is and how regularly monitored the variance is. The ED Finance and Estates confirmed that this is looked at monthly because of the current forecast and if the money was tied up monitoring would take place daily. The Chair of the Corporation noted an investment strategy would need a robust period of time of cashflow forecasting prior to investment and this would give comfort and assurance that there is little variance.
The ED Finance and Estates confirmed that the current account balance always has enough to pay the staff, the Group is grant funded so there is some certainty, it is mainly a purchaser rather than a supplier of goods and there is control over payment of suppliers.
The Chair of the Board referred to the External Governance Review which talks about all governors understanding flows of cash and funding streams and that it would assure governors if there is a profile with set times and dates to give more certainty on how cash is being monitored.
The Chair asked for a vote and governors agreed with the Chair of the Board's suggestion.
ACTION: The ED Finance and Estates agreed to provide monitoring of the cashflow forecast and any variances leading up to the next meeting in May and the item to be included on the next Committee agenda.
In response to the action from the last meeting the ED Finance and Estates confirmed that the process would not breach and rules around MPM.</td><td>ED Finance and Estates</td></tr>
<tr><td>11.</td><td>Estates Report</td><td></td></tr>
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	The ED Finance and Estates noted that there are minor updates since the last meeting. The Group continues with the main projects, final costings are beginning to come in and work is in progress to align the funding and projects. An update on roofing surveys and costs will go to the next Capital Projects Steering Group meeting on 28 March 2024. **Dinnington campus** – [confidential item]. The Committee asked about the drawdown of money and grants for the capital works. The ED Finance and Estates noted that until now a lot of the work being carried out was stripping out, architectural plans and making sure the project plans are right. The project is running to schedule and invoices are now starting to come in as works progress. The Committee asked if the Group is on budget and will maximise its allocation and the ED Finance and Estates confirmed this is the case with a deadline for spend by April 2025. Currently there is £3.3m remaining. The ED Finance and Estates confirmed that work is ongoing with compliance and FEEP. For Health and Safety there is nothing of significance to highlight. The ED Finance and Estates discussed the additional item added to the agenda on **energy contracts** (added on 11 March). Inenco have modelled a significant saving providing a service to manage energy contracts and review past invoices for savings. Current analysis suggests savings of c£250,000 on the current year's consumption data and fixed prices. They are endorsed by the Association of Colleges and work with many college Group currently. **ACTION:** the ED Finance and Estates to follow up with colleges that Inenco are working with around how it is working, investigate the market for similar products and report back to the next meeting.	ED Finance and Estates
12.	**Risk Report** (Committee items extracted from the Corporate Risk Register) The ED Finance and Estates noted that there are minimal changes on the risk register since the last meeting. One item around staffing has been included in response to a request from the Audit and Risk Committee, one risk has been completed and there are five timescale extensions required. Completed actions have been highlighted and it is proposed that some risks are closed down and turned into controls. Chairs of Committees are having risk management training on the 14 May at the request of the Audit and Risk Committee.	
13.	**Any other items of urgent business** The ED Finance and Estates reported that the Group's funding allocation statement was received yesterday. The current year 23/24 total for 16-19 funded learners is £22,850,000 and next year's is £26,420,000, a £3.6m increase. This year there were 2730 students and growth funding in year brought it up to 2930. Next year's allocation is for 3263. There are changes to how English and Maths is funded, a 28.68% increase in teacher pensions (from 23.68%), allocations on supporting additional pay so there is more analysis to be carried out on what the increase in funding means going forward. The Committee asked if the analysis will be ready for the Board meeting on the 25 March. The ED Finance and Estates confirmed that he would give an update to the Board and the analysis will take place alongside curriculum planning meetings with an update to the next Finance and Resources Committee on what this means and how it has been allocated.	
14.	**Date of next meetings:**	

	Thursday 2 May 2024 Tuesday 25 June 2024 All at 17.00	

Meeting closed: 18:43