

4 **ACTION PROGRESS REPORT**

The committee considered the update provided, and a number of matters were particularly discussed:

- Contribution analysis will be included in the first set of management accounts for this academic year.
- ESFA dashboard to be recirculated.
- The Student Fee Policy and Privacy Notice has been adapted, and the change suggested is included within the statement on the website.

AGREED: to note the content of the update provided.

5 **BALANCE SCORECARD ITEMS AND ANNUAL KPIS**

The finance director introduced this item and explained that it was split into two parts, the first being the 2021/22 yearend and the second being proposals for 2022/23.

1) 2021/22 yearend

Key matters highlighted were:

- There have been some positives in the year.
- Income is more than originally envisaged.
- Staff costs are marginally down.
- The EBITDA RAG rating is green; however, the position is fairly close.
- The position in relation to cash days is RAG-rated as green; 20 days' cash is a moderate target.
- Apprenticeship income is RAG-rated as amber. This is due to the slow start at the beginning of the year and some staffing challenges. There has been a similar slow start to this academic year. The college is currently 10% up on 16-18 learner numbers, which has led to some capacity challenges.
- AEB ended the year above budget and target. The college hit 100% of the allocation. In relation to achievements, the outturn could be between 105% and 110%, but this is not yet certain. Some programmes that were impacted by COVID stabilised in the final six months.

One member of the committee asked whether the college is anticipating apprenticeship issues in 2022/23. Staff confirmed that apprenticeship income does remain a risk.

- Annual measures are all RAG-rated as green.

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- In 2021/22, the college saw a decline in 16-18 numbers, which will have a lagged impact. It will be a double challenge this year as the 16-18 numbers are up.
- The college has also lost £250k worth of maths and English funding for 2022/23; however, there is significant demand from the current cohort, which will need to be managed.

One member of the committee asked whether there was likely to be any in-year growth funding for 16-18 numbers. The CEO indicated that there was no certainty regarding this, and the current view is that the college will be between 7% and 8% up on the allocation. The college has just received confirmation of growth in relation to adult learner loans. The finance director indicated that, if the college did receive 16-18 growth funding in-year, this would offset some of the current apprenticeship challenges. 2021/22 was described as a challenging year, with the impact of this now being seen. A question and challenge from the committee was how the college can recalibrate and reengineer given what is now known.

2) 2022/23 proposals

No changes are proposed to the indicators. One further addition is to be made prior to presenting to board: this is in relation to the allocation KPI. A financial figure will also be included by the time of the proposal to board.

A question and challenge from the committee was whether or not the targets would be recalibrated on the basis of what is now known. The CEO indicated that this was not the intention – it is important that they are maintained as they align with the finances in the budget.

A question and challenge from the committee was in relation to the realism of the apprenticeship targets proposed. Staff advised that the issue for the college is in terms of trying to start apprentices at the same time as dealing with unknowns in relation to 16-18 and adult learner numbers. It was explained that the process is not always smooth, which does have an impact. Staff expressed the view that it is important to continue to try to start apprentices in September. A challenge from the committee was that the issue appears to be one of profiling and that this does have a financial impact as it almost seems impossible to make up a slow start to the year.

The CEO indicated that the position in relation to health and social care apprenticeship provision is a real challenge, given the level of withdrawals. What the college and, indeed, the sector is seeing is that employers are unwilling or unable to release apprentices so that they can complete their learning. Because of the risks in this area, the college has taken a prudent view and has taken out circa £400k of potential income. It was explained that, because learners aren't being

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released, the college simply cannot guarantee that they will have a quality experience, and they are not doing what they need to do in terms of assessments, off-the-job training, etc. The CEO advised that, by comparison, the number of construction and engineering apprentices is at a record high, and there is, in fact, a waiting list and strong pipeline. In terms of apprenticeship provision generally, the committee were advised that there are apprentices waiting but the college has not yet been able to start them because of staff capacity. A request from the committee was that, in future meetings, staff profile the impact for the 2022/23 year, i.e. what funding will be received this year and when. The committee indicated that they would also like to know the rollforward amount as at 31st July 2022.

Finance
Director

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In concluding the discussions, the committee acknowledged that the negative impact seen in relation to apprenticeship provision was because of the slow start to the year and also the fact that significant funding has been removed from the forecast in relation to health and social care provision.

AGREED:

- a) to note the content of the update provided
- b) to endorse the proposed balanced scorecard items and annual KPIs for 2022/23.

6 RISK REPORT

The finance director advised that the risk register for 2022/23 is currently being finalised and, therefore, the report today provides highlights only. Key risks include:

- Increased 16-18 numbers. The impact is being felt, and the college has tried to mitigate this by increasing class sizes whilst maintaining quality.
- There are increased costs to the organisation.
- Increasing 16-18 numbers has negatively impacted upon capacity.
- The college could receive in-year growth funding of between £0 and £1.5 million. If it receives funding for 50% of the growth, it will be circa £800k. It is not likely that the college will know the decision on this until January/February 2023.
- The cash position remains a risk, and there are limits on capital expenditure now until 2023.
- The college has seen a growth in the number of students requiring ALS of between 15% and 20%. Nottinghamshire County Council have indicatively suggested that they will pay for the extra resource required; however, it is not certain at this stage. It has a value of circa £150k.
- Apprenticeship income remains a risk, particularly in relation to health and social care. The college has taken a prudent view

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and removed 75% of active apprentices, and there will only be new starts by exception in this area of provision. The college is still providing training in health and social care; however, this is outside of the apprenticeship framework and standards. The committee were advised that retrospective losses are relatively small at between £50k-£60k; however, it is the future revenue that will be most impacted.

One member of the committee asked whether there was any reputational issue to consider. The CEO confirmed that the college is providing an AEB offer and was, therefore, not simply walking away. The college is also offering a range of short programmes which seem to be more attractive to employers. It was confirmed that the communication and relationships have been managed in the best way possible. The area of most concern is Level 2 and Level 3 in the care sector but not in relation to health.

AGREED: to note the content of the update provided.

7 JULY 2022 MANAGEMENT ACCOUNTS

The finance director introduced these, and key matters highlighted were:

- The position is in line with forecast expectations.
- At R13, which is the ILR point where the accounts were closed, the college took a prudent view regarding AEB. This was 100% use of allocation; however, there is potential for extra achievement payments of circa £300k. These, however, won't be recognised in 2021/22 because of the uncertainty.
- The ILR closure date for the yearend accounts is 21st October 2022. It may mean that there is a benefit to the organisation in 2022/23.
- Section 14 of the accounts shows how the cashflow has moved. There was £5.6 million at the start of the year; however, this amount is offset by some liabilities too, including:
 - £2.6 million AEB repayment
 - Capital project funds held but were then dispersed throughout the year
 - Levels of debt have increased at the yearend, and an example given was £200k owed by NTU
 - Capital payments have been made in relation to the works at Chesterfield Road; however, funding has not yet been received – this is circa £250k. The intention now is to agree some advanced payment profiling with Mansfield District Council. The finance director indicated that it was still too early to agree a payment profile with the ESFA and, therefore, the college is currently having to fund the project using its own cash.

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A question and challenge from the committee was how the college can resolve and improve the cash position. The finance director indicated that he is hopeful that the position with NTU, which related to a contract, has now been resolved, which means that payment should be made. He indicated that the college is an exceptionally good payer and takes no steps to delay any payments. The organisation may need to carefully manage payments in February and March but only by three or four days.

When considering the format of the accounts, the committee indicated that, within section 14, it would be useful to be able to track the month against the cashflow forecast for the year. The committee also asked that the waterfall contribution analysis is shown by department.

The committee's attention was drawn to section 3, which provides the curriculum contribution analysis. The committee all agreed that it would be useful to include narrative to explain the reasons for differences and summarise any mitigating actions being taken. A challenge from the committee was to focus in on the lower performing areas.

The committee asked why the 'interest payable' amount is £711k. It was explained that interest on loans is £78k and then the balance relates to the pension fund. The committee were reminded that the loan is on the basis of 4% fixed, which is a positive position given the rising rate of inflation. It was confirmed that the college's relationship with Lloyds is much more positive now given that the historic financial challenges have been addressed.

(Tony Westwater joined the meeting at 6.30pm)

The committee noted that admin and central costs were overspent by £200k. It was explained that these related to some additional costs incurred to achieve the AEB final figure. A suggestion from the committee was to include more narrative to explain this.

One member of the committee indicated that, for the next meeting, she would welcome some context and narrative regarding the income costs associated with 'Academy Skills'.

The committee's attention was then drawn to the September 2022 pay report, which shows a saving. Pay spend is below budget for the first two months of the year. The committee noted a £26k restructuring figure, and it was explained that this relates to the redundancy of a long-serving member of staff. They were offered redundancy in previous rounds but chose not to access. The finance director indicated that there are some historic cost contingencies from the earlier redundancy rounds which can be used to offset this figure.

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The committee noted £25k in the 'other temporary staff' line. It was explained that this is agency staffing. The committee asked why there was no budget or profile sitting against this. The finance director explained that there is money within the budget to address this and that it is a teaching staff saving. The finance director indicated that the college is trying to find a way to build its own bank of 'agency staff' through VBSS as this would save significant costs. He indicated that, in terms of presentation, he does not want to provide managers with a budget for agency staff as their use should be the absolute last resort.

AGREED: to note the content of the update provided.

8 2021/22 DRAFT YEAREND ACCOUNTS

The finance director presented the detailed written report and key matters highlighted were:

- Pensions – budget assumptions were developed at the end of April 2022 and carried forward to the end of July 2022; however, things have changed. Auditors are asking for some recognition within the accounts that there has been a significant inflation increase. The finance director indicated that the position might even out over time; however, the inflationary increase will flow through into the next set of assumptions.
- The valuation of assets within the pension scheme is no longer as high as it was; however, auditors don't see this as a significant issue. A bigger impact will be the triannual repayment calculation, which is likely to increase.
- Utilisation of VBSS does ringfence the LGPS pension impact.
- TPS was described as a theoretical fund as it comes out of treasury and has no asset base.
- The college carries a pension reserve for enhanced payments. Provision this year would decrease to £165k. The college has historically reduced each year but, going forward, the amount is not material; therefore, the proposal is not to continue to reduce and just maintain as it is given that it is not material. Eventually, the amount would just run down. Auditors have confirmed that it is possible to do this but that it would appear as a note in the accounts as an unadjusted error. The committee were happy to support this given the rationale and the fact that it is a relatively insignificant amount.
- The recent ruling in the Harpur Trust case will have an impact on holiday pay treatment for sessional members of staff, e.g. part-time and term-time. Historically, the college has pro-rated the entitlement based upon the full year. 28 days is the statutory entitlement. The committee were advised that analysis shows that, from September 2021, the organisation's

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leave entitlement is more than 28 days; therefore, in any tribunal case (which would have a two-year limit), there would be little or no liability as it is believed that the overpayment would cover the amount over that period. If, however, a member of staff were to make a civil case, the applicable period would be six years. The value would be, at worst, £400 for each member of staff. He indicated that it was highly unlikely that an individual would choose to make a civil claim for £400.

The finance director explained that the draft accounts were in a new format this year, and he asked for feedback. The committee all agreed that they really liked the layout. It was explained that staff are currently in a transition period in terms of updating the comments for 2021/22 and that, in some areas, what currently exists relates to 2020/21. A challenge from one member of the committee was to check that the photos within the document are up to date, e.g. Susanna Smith still features but is no longer an employee. The finance director confirmed that the next step is to finalise the content update so that it accurately reflects 2021/22. A challenge from the committee was to also check for typographical errors.

The committee's attention was then drawn to the section headed as 'milestones', and they were advised that four key messages are proposed. Key matters highlighted and discussed were:

- The college has completed phase 1 of the property strategy, with the aim being to improve space utilisation. The creation of the sixth form centre has really helped to support growth.
- Although the level of cash has fallen, it is 'free cash' (i.e. there are no liabilities linked to it).
- In relation to the EBITDA table on page 10, a request from the committee was to also include percentages and provide some narrative.
- A challenge from the committee was to carefully consider diversity within the photographs used.
- The committee asked whether the 'buttons' within the document are misleading, i.e. comprehensive income and staff costs. It reads as if income is lower than costs. A suggestion was to reference turnover rather than comprehensive income so that staff costs don't appear higher than income. A suggestion was to refer to turnover, EBITDA and staff costs in the buttons.
- In terms of being able to confirm that the organisation remains a going concern, there is a high level of confidence. This is because of the cash position, and the college will not breach any bank covenants.

The finance director confirmed that the final version will be presented

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to the next meeting and reminded that the committee will need to be happy to recommend to the board based upon the year forecasts.

AGREED: to note the content of the draft accounts as presented.

9 BAD DEBT/WRITE-OFFS

The finance director advised that there were no issues to report to the committee.

10 SUBCONTRACTOR REPORT

The finance director requested that the substantive report be deferred to the next meeting; however, he asked the committee to consider one change to the current 2022/23 contracts. He advised that the college has had an approach from a reliable subcontractor with the request to increase the allocation. They are currently funded for four 16–18-year-olds and would like to increase by fifteen more. The committee were given assurance that all of the intended additional learners have a grade 4 at GCSE Maths and English and, therefore, the staff recommendation is to increase the allocation to Chameleon by £75k. The committee were advised that the learners are all in construction provision, with the company being based in Staveley, Swadlincote and Bolsover. The committee asked what the overall size of the Chameleon contract is, and it was confirmed that this is circa £300k. The committee then acknowledged that this was not a significant increase. A question and challenge from the committee was to be assured regarding safeguarding arrangements in place.

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AGREED: to recommend that the board approve an increase to the allocation provided to Chameleon by £75k.

11 ESTATES REPORT

The director: IT, estates and learning resources presented his detailed report, and key matters highlighted were:

- In relation to the estates strategy, there have been a lot of changes made in the last eighteen months and, therefore, it was considered to be timely to do a refresh/update.
- All changes to the estate have been made to ensure increased capacity.
- There is a greater focus on larger teaching spaces.
- Works have improved utilisation rates.
- Development of the sixth form centre was a key strategic decision.
- Many areas have been consolidated – an example given was student support services.
- The college has been able to create a care ward.

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- An aeroplane has been brought onto the site.
- The development of the robotics centre has been a real success.
- Space previously used for music has been repurposed and is now used by access students
- The demographic shows an increased likely demand, and this is driving the need to change. The peak is expected in six years' time.
- The college is using its spaces more efficiently.
- Going forward, there will be a need to create more specialist space. Examples given were for T Levels and for construction and engineering.
- To create more space, one proposal is to move motor vehicle out of its current location to give engineering more. Staff are looking at a number of options and expect to be able to present a proposal to the board next week. Options include the old Charlie Brown site or space on the Sutton site.
- In relation to ADMC, the amount of funds available has reduced and it is no longer viable to create a new and separate building. This means that developing Station Park is the most viable option. It will include:
 - A change to the entrance
 - Extra student space
 - More car parking
 - An additional 1,800m² on the mezzanine
 - Extra classrooms, toilets, etc.

It was described as a fairly fast-moving project to try to finalise a design which matches the budget. It will increase the space available for brickwork, joinery and electrical.

One member of the committee asked whether the design will provide space for modern methods of construction, heat pumps, etc. The director: IT, estates and learning resources confirmed that it would, eventually. The committee asked whether there would also be space to undertake steel works. The director: IT, estates and learning resources indicated that the plan is to have the light work and trades on the mezzanine floor, with the heavier works and trades being situated on the ground. One member of the committee asked whether space available to students would increase. It was confirmed that it would, with increased eating space planned. Staff advised that the college has had to work really hard in negotiations to grow and retain the amount of carparking, as it is known that the project would not be viable without this.

- The ESFA growth bid has to be submitted within the next four weeks.
- Because of cost increases, the project at Chesterfield Road has had to be redesigned.

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- Lots of works were completed over the summer, including larger projects:
 - Chesterfield Road improvements. It now accommodates larger A-Level class sizes.
 - Painting and decorating has been moved from Station Park to Chesterfield Road.
 - At Derby Road, it has been possible to use some of the atrium to increase the space available for sport provision. It has also been possible to amend the space in the sports hall.
 - The college has opened a new e-sports course, which has required very high specification IT kit so that sessions can be livestreamed.

In relation to the e-sports offer, the committee asked what qualifications this leads to. It was explained that they are mainly BTEC. Staff advised that there are a significant number of jobs in the supporting infrastructure to e-sports, and examples given were video and audio. The courses also provide wider skills in terms of business, HR, nutrition, etc. Staff advised that, currently, there are significantly high levels of demand for programmers and that there are fifty-six students already enrolled. The committee asked what the gender balance is for these students, and it was explained that they are predominantly male.

- The college has reopened some science labs
- There are better student support areas now, given consolidation.

In general discussion, all acknowledged that it was really impressive to have got everything done within the seven-week summer window.

The committee were then given an update on the Chesterfield Road Skills Centre project, and key matters highlighted were:

- The design has had to be changed because of the increase in cost forecasts, which were significant. If the project were to have proceeded as originally planned, it would be £1.2 million over budget.
- The original project was value engineered; however, not enough savings could be identified and, therefore, to proceed would just be too significant a risk.
- To respond, the team have taken a floor out of the design; however, they have been creative so that all classrooms originally planned can be retained.
- Some staff space has been put into Ashfield House.
- The project involves large teaching rooms
- The expectation is that planners will be more supportive of a two- rather than three-storey building.

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- The ESFA are aware of the need to rethink the project because of the cost increases.
- Following redesign, the team have been able to bring it back within budget.

The committee were advised that sector intelligence seems to be that, because of inflation and the cost of mortgages, house builds are likely to be put on hold; therefore, companies will look at commercial contracts. This may mean more competitive pricing. The committee raised a question in relation to the risk RAG rating. Staff suggested that it was more likely to be green now rather than amber.

One member of the committee asked whether there were any safeguarding considerations at Chesterfield Road, i.e. is there enough space for staff to be on site and support students? It was confirmed that there is, with two staff offices located in the building.

The committee's attention was then drawn to the update provided in relation to energy, and key matters highlighted were:

- Whilst the college has seen some increases, these have not been as disastrous as others within the sector.
- The college has some protection through the use of ESPO.
- Electricity costs have increased by 60% and gas costs by 80%.
- The contract for gas is in place until March 2027 and that for electricity until September 2024.
- The college is looking at a range of energy-saving measures.
- Energy spend in 2021/22 was £500k.
- The sector has the benefit of the government price cap until April 2023, and it may go beyond this.
- The expectation is for payments to remain static.

AGREED: to note the content of the update provided.

12 **BIDS**

The detailed written report was considered with key matters highlighted, including:

- Tech centre ESFA – the college has a meeting with the ESFA on 17th October to discuss downsizing the project to fit within budget. The college is trying to flex to respond to the revenue available. The project is currently RAG-rated as amber, but it is progressing well.
- Tech centre MDC – there is a need to provide a new cost schedule and to confirm the metres squared to revise the contract offer. MDC are seeking a small reduction to the revenue element, which can be accommodated. The college will then progress to contract, with approximately £190k to be claimed.

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- SDF phase 1 – the project is virtually complete with a small amount of spend remaining for final works.
- SDF phase 2 – the college was successful in its bid and has been awarded £419k. This will support developments for provision in joinery, CNC and design programmes for green skills. The college is now progressing to contract. Embedded within this is a significant amount of green skills development.
- Ashfield Towns civils – this is progressing to contract.
- Ashfield Towns construction – the college is awaiting approval to progress to contract on an expansion to the existing Station Park site.
- Devolved capital green skills flagship – this is funding available in the D2N2 area because of devolution. The project is progressing to contract to invest in 2022/23 alongside Ashfield Towns projects.
- D2N2 Green Skills Accelerator – this is a project in Bolsover which focuses on green skills and a heat pump academy. It will give the college more assessor space and includes £300k for equipment.
- In total, the college is receiving £700k to support the development of green skills.
- ESFA growth funding bid – the college is currently preparing a bid to increase space by relocating motor vehicle to deal with a shortage of large technical space and a forecast for 15% student number growth. The college is able to bid for up to £4 million to support demographic growth and current space shortages. In addition to this, the college is currently in discussion with a company regarding additional investment.

The committee were happy to support the proposal for board approval in relation to

- Green skills flagship and green skills accelerator projects, and
- ESFA growth fund bid.

AGREED: to

- Note the content of the update provided
- Recommend that the board approve the green skills flagship and green skills accelerator projects
- Recommend to the board submission approval of the ESFA growth fund bid.

13 PROCUREMENT REPORT

The finance director presented the detailed report, which provided a summary of prior academic year procurement. He drew the committee's attention to the proposal to utilise ESPO again when renewing the electricity contract with Total Energy. The award is likely to include a mix of fixed and variable pricing.

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AGREED: to approve the college's acceptance of the offer from ESPO and Total Energy from 1st September 2022.

The finance director advised that, at the next meeting, there will be a proposal to review further contract awards for Maclav, Stainsby Education and FMBS. This will allow initial activity in 2022/23 to be considered before extending the contract approvals already in place.

One member of the committee asked whether potential related party transactions are reported and recorded from staff and students. The finance director confirmed that they are and, in relation to governors, it was noted that the only disclosure is from Ben Own given his employed position at EMSI.

AGREED: to note the content of the update provided.

14 **INSURANCE**

The finance director confirmed that this has been renewed with Zurich, and he particularly drew the committee's attention to the governors' liability cover, which is £5 million. The committee were advised that the college has quite a substantial cyber insurance policy in place. The committee asked whether college believes that it is cyber-secure. The CEO advised that there was a recent phishing simulation exercise undertaken and that having two/multifactor authentication in place protects the organisation. This is despite the high number of staff who did give away details during this exercise. He confirmed that full training for staff will be provided again.

AGREED to note the content of the update provided.

15 **ANNUAL REVIEW OF STANDING ORDERS**

The director of governance introduced this item and highlighted the mainly administrative changes shown in red. The committee were happy to recommend to the board for approval.

AGREED: to recommend that the board approve the amendments to the Standing Orders as presented.

16 **GOVERNOR AND EXECUTIVE EXPENSES 2021/22**

The committee were happy to note and all agreed that they were very low and not a concern. A request for the next annual update is to be clear when an individual has a zero claim, just so that it doesn't appear as an omission.

Dir of Gov

Oct.
2023

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17 **AOB**

A number of matters were raised as additional business, including:

- The committee were advised that college has been selected for an ESFA funding audit. This specifically relates to ESFA match funding for the period 2015-2019. Sample size is five.
- The ONS review is due to be reported on 31st October 2022.
- Bank covenants – Lloyds are now moving the college to standard covenants as the organisation is out of intervention. The only real risk is in relation to the level of cash held in February/March 2023. This is a real opportunity to change payment profiles. Lloyds seem supportive and willing to recognise the ‘unusual’, and an example given was the impact of 16-18 growth. What they are proposing are not onerous covenants, and they will go to board next week for approval.

18 **DATE AND TIME OF NEXT MEETING**

This was confirmed as 28th November 2022 at 6pm, immediately preceded by the joint meeting with the Audit Committee to look at the yearend accounts.

19 **CONFIDENTIAL MINUTES OF THE MEETING HELD ON 30TH JUNE 2022**

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

AGREED: to note the confidential minutes of the meeting held on 30th June 2022.

There were no matters arising.

Meeting closed at 8.15pm.

Signed : _____  _____ Chair

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