DCG

MINUTES OF THE FINANCE AND RESOURCES COMMITTEE MEETING HELD ON 2 DECEMBER 2022 AT 9.30 AM REMOTELY VIA MS TEAMS AND IN T108, AT THE ROUNDHOUSE

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Present: Martyn Marples (Chair), Andrew Cochrane, Phil Dover, Mandie Stravino

In attendance: Jo Clifford (CFO)
Iain Baldwin (Director of Estates)
Rose Matthews (Clerk)

		Action	Date
06/22-23	**APOLOGIES FOR ABSENCE**		
	Apologies for absence were received from Heather Simcox		
07/22-23	**DECLARATIONS OF INTEREST, CONFIRMATION OF ELIGIBILITY AND QUORUM**		
	All members were eligible, the meeting was confirmed to be quorate and there were no new declarations.		
08/22-23	**MINUTES OF THE PREVIOUS MEETING HELD ON 30 JUNE 2022**		
	APPROVED: The minutes of the meeting held on 30 June 2022 were approved as a true and accurate record.		
09/22-23	**MATTERS ARISING**		
39/21-22	The unconsolidated pay award was recommended to the Corporation and was approved.		
41/21-22	The budget and financial forecast was approved by the Corporation. Subsequent FRC meetings were held to approve a revised forecast, which was accepted by the Corporation.		
42/21-22	The Corporation approved the award of the College Bus Service to Nottinghamshire and Derbyshire Traction Co Ltd.		
	The Corporation ratified the Chair's approval to award the works for the adaptation of Motor Vehicle provision at the Johnson Building and the Ilkeston campus workshop to Davlyn construction as the preferred contractor.		
	The energy contract had been secured.		
43/21-22	The sub-contracting arrangements were approved, alongside the approval of the updated Sub-contracting Policy by the Corporation.		
	Members discussed the performance of the sub-contractors in terms of what had been achieved in detail. It was noted appointing the sub-contractors mid-year had impacted on their performance.		

	There had been some quality issues which were being closely monitored by management and had been flagged at Audit and Curriculum Performance Committee.		
44/21-22	The Travel and Subsistence Policy had been approved by the Corporation.		
10/22-23	**TERMS OF REFERENCE REVIEW**		
	An Annual review of the Terms of Reference had been undertaken. No changes were proposed.		
	The Chair reflected on the first full year of the Committee. The Committee provided assurance in that it reviews the financial details and time commitment to review this area of work.		
	The Chair noted that in terms of capital the resources element aligned but he would like to see more in terms of strategy presentation from the resources side. It was agreed the next strategy presentation would be from Estates and Property with subsequent ones on IT and then HR.	**CLERK**	**20/03/22**
	RECOMMEND: The Committee recommended the Terms of Reference to the Corporation for approval.	**CHAIR**	**12/12/22**
11/22-23	**FINANCE, INCLUDING:** • **DCG FINANCIAL STATEMENTS** • **DCG SERVICES LTD FINANCIAL STATEMENTS** • **MACKWORTH BUSINESS SERVICES FINANCIAL STATEMENTS**		
	The CFO summarised the position of the Financial Statements for the Group and its subsidiaries. These had already been presented by the External Auditors at a session open to all Board members at the Audit Committee.		
	There were no surprises in terms of outturn with the EBITDA resulting at £3.9m, which was an EBITDA of 7%. Reconciliation on page 13 showed a surplus of £1.1m after adjustments through the accounts for the FRS 102 pension deficit and holiday pay accrual.		
	It was the first year working with the new Auditors RSM, which had gone well. A few elements were being finalised, but they had published their final Audit Report with no material findings to report and some unadjusted mis-statements. One related to bad debt accrual and the other to the non-consolidated payment to staff in terms of the pay offer.		
	RSM had carried out a comprehensive funding review and had expertise in the field. There were a significant number of audit findings, none of which were material. They were mainly around in-year reviews. It was a learning point moving forward.		
	There had been a few changes to the format this year in terms of wording of the regularity statement. The set of accounts presented was largely complete, apart from grammatical changes.		
	In terms of the subsidiaries, Members noted MBS was not trading, but not dormant. It had incurred audit fees during the year and as such made a £10K loss. The CFO said she would be reviewing it moving forward. Phil Dover pointed out there was £200K sitting in the MBS accounts which had been held subject to any liability from		

former events. This could be fed back into the College if the company was dormant.

DCG Services related to the cleaning costs through to DCG on a non-profit basis. That had made zero profit and all costs were passed onto DCG for the services provided.

The subsidiaries would be signed off at the AGMs on Monday 5 December.

The Committee Chair noted the balance sheet had jumped by £60m. This related to a swing on the LGPS pension, which was now at a £5m deficit. It was noted it would be likely that it will swing back again next year.

The Corporation Chair asked why this had happened. An actuary valuation took place every year, and then a triannual one every three years. Due to the volatility of the market the discount factor had changed, along with other factors such as mortality etc. The Corporation Chair asked if this was explained clearly in the accounts. The CFO said it was in note 25, and in the External Auditors report, but could be pulled out into the strategic report.

FRC Members had undertaken a review of the financials within the Financial Statements but noted they were recommended by the Audit Committee to the Corporation for approval.

12/22-23 MANAGEMENT ACCOUNTS – PERIOD 3

The Management Accounts for Period 3, Quarter 1 were shared.

Year to date had a sector EBITDA of £1.057m, against a budget of £1.28m, this was £223K down on budget after three months. A detailed re-forecasting exercise had taken place. The CFO explained the College were still reporting a forecast based on previous reports as presented at the Special meetings. She confirmed they were still anticipating the ‘most likely’ case scenario at £1.6m drop for the year – an EBITDA of 3%.

They key movements so far were shared, which showed the College were slightly behind on 16-18 tuition fees catch up funding. AEB was down on direct delivery.

AEB income is behind for college delivery across a number of areas, partly offset by partner delivery which is ahead of the profile. Apprenticeship income is significantly behind budget, partly due to apprentices starting later than budgeted but also due to reduced volumes.

Tuition fee income is behind budget, with Roundhouse Thinking accounting for the biggest variance.

There is income for SDF projects which was not budgeted, this is largely offset by expenditure.

Pay is showing significant savings year to date, in excess of the planned vacancy drift amount. Most areas are showing underspends, however the underspend in apprenticeships is not as large as would be expected compared to the income shortfall.

The key overspend on non-pay is the energy costs, which based on the new contracts, are above budget. An accurate bill has not

	yet been received, but once that comes through costings can then be modelled. Savings were being made on general non-pay across the board, net expenditure savings was at c£300K, which leads to an EBITDA shortfall of c£200K. The Chair of FRC noted the budget had been set at 6%, then changed to 3% EBITDA. Are the YTD figures reflective of that position. The CFO confirmed the budget was the original budget as that had been submitted to the ESFA. The full year forecast was revised. The £223K is adrift from the likely case from the budget. It was suggested adding an additional column at the end to see against the revised forecast.	CFO	20/03/22
	The Chair of FRC questioned if the team were working to the 'likely' budget. It was clarified curriculum were working to the original budget, the exception was the estates team would have to exclude the energy line. If this was the case, the Chair of FRC said there needed to be a note in the Management Accounts indicating this was a revision. There was a note on page 4 of the Management Accounts. The Chair of FRC said he didn't want to make work, but for the Board's purposes they wanted to know what it was looking like against the reforecast. The CFO agreed to track key variances YTD and have a comparator for those.	CFO	20/03/22
	Cashflow was high, due to the timing of the DFE grants in the first quarter, but the AEB clawback and other underspent grants had yet to be repaid. Cash was also being held for the non-consolidated pay award for staff. Overall, financial health still looked good. The original budget forecast to be outstanding at this period. The College was behind where it wanted to be. All covenants were met last year end, but there is a risk in terms of the debt service cover breach this year. This will breach at 31 July when all funds are repaid to the ESFA. The ONS reclassification may have a factor on this. The CFO was discussing options with the bank and the ESFA. The renegotiation of loans would be a problem with the ONS reclassification and would limit options in terms of approaching the bank and there may be a need to repay the loan, which would impact future capital projects and the decant from Johnson unless the grant funding bid was successful. Members discussed possible options in terms of the potential breach.		
	Members asked if the CFO could provide a report to the meeting in March in terms of status and options.	CFO	20/03/22
13/22-23	**ESFA FINANCIAL HEALTH DASHBOARD** The CFO explained the ESFA's Financial Health Dashboard was a look forward from the CFFR submitted last year- based on the year end budget approved in July 2022. The College's position this year was completely different, which made the use of the dashboard limited.		
14/22-23	**FINANCE KEY PERFOMRANCE INDICATORS**		

	The CFO explained the KPIs were included in the Management Accounts and approved as part of the budget embedded in the CFFR.		
	The purpose of this report was to endorse the KPIs set for the year and note historic trends.		
	The Chair of FRC said retention looked good. It was pointed out that R04 had been submitted the week prior and at that point the College would get a flavour of what the drop out had been. The CFO was trying to quantify final figures from last year in terms of dropouts. She agreed to share with members once these were available.	CFO	20/03/22
	Two new KPIs had also been added which related to Debtors and Creditors days and loan balance. The Chair of FRC asked Members if they were happy with the 6 day target for creditors. The CFO pointed out that 70% of costs are pay. The College were currently hitting 19 days – it will fluctuate between the year depending on spend. The Chair of FRC thought it was quite a tight target and questioned the implication of it not being 6 days at the end of the year. There was no material implications in terms of creditors and whilst it was a useful measure, debtors days were more important. It was also noted the FEC benchmarks had not been included.		
	RECOMMEND: The Committee recommended the Corporation adopt the Key Performance Indicator targets at the meeting held on 12 December 2022.	Chair	12/12/22
	RATIFIED: The Committee ratified the Chair's action in relation to approval of the application for the Post-16 Capacity Fund Project to the value of £3.5m for the Stephenson Building. This forms part of the College's estate strategy to reduce liabilities with third-party tenanted properties.		
15/22-23	**PROPERTY AND ESTATES MANAGEMENT**		
	The Committee welcomed the Director of Estates to the meeting. He provided an overview of key activities.		
	The Annual SECR Report had been produced and formed part of the Financial Statements. The metric evaluating carbon usage showed a marked reduction due to the installation of an upgraded district heating system at Broomfield.		
	The Committee were appraised of the aforementioned work with regards to the rear of the Stephenson Building and the application for the Post-16 Development Fund.		
	An update was shared in relation to the East Midlands Institute of Technology. This was progressing with drawings now disseminated amongst the design team. No major concerns had been identified. RIBA stage 3 costs were being evaluated with planning submitted at the end of November. The Director of Estates appraised Members of the timeline in relation to next steps and approval would need to be sought for the successful tender around late March/early April, a special meeting for approval may have to take place. This would be picked up with the Clerk and the CFO outside of the meeting.	Clerk/CFO	March 2023

16/22-23 POLICY REVIEW

Minor amendments had been made to the Student Financial Support Policy with a refresh of the guidelines in terms of household thresholds.

17/22-23 WHAT IMPACT HAVE WE MADE?

Members consider the impact they had made during the meeting.

They were steering the College resources so they are efficient and effective and offer value for money, which in turn leads to reinvestment in to student resources.

The Committee were providing support to the Corporation and management in terms of closely reviewing and challenging the financial position of the College.

Through the meeting Members had been brought up to speed on the monies sitting in MBS which required further consideration.

They had received clarity on creditor days and a strategic discussion in relation to capital projects.

18/22-23 MINUTES OF THE CONFIDENTIAL 'SPECIAL' MEETING HELD ON 13 OCTOBER 2022

The meeting held on 13 October 2022 was approved as a true and accurate record.

19/22-23 MATTERS ARISING

The matters arising were addressed in the subsequent meeting held on 17 October 2022.

20/22-23 MINUTES OF THE CONFIDENTIAL 'SPECIAL' MEETING HELD ON 17 OCTOBER 2022

The meeting held on 17 October 2022 was approved as a true and accurate record.

The meeting finished at 11.00 am

Signed: ______________________ Date: ______________________