



**MINUTES OF THE FINANCE AND RESOURCES COMMITTEE MEETING HELD
ON 6 MAY 2022 AT 9.30 AM REMOTELY VIA MS TEAMS**

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MINUTES OF THE FINANCE AND RESOURCES COMMITTEE MEETING HELD ON 5 MAY 2022 AT 9.30 AM REMOTELY VIA MS TEAMS

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

In attendance: Keith Oxspring (Interim CFO)
Clive Perry (Senior Management Accountant)
Heather Simcox (Deputy CEO)
Rose Matthews (Clerk)

26/21-22 APOLOGIES FOR ABSENCE

There were no apologies for absence.

27/21-22 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.

28/21-22 MINUTES OF THE PREVIOUS MEETING HELD ON 16 MARCH 2022

APPROVED: The minutes of the meeting held on 16 March 2022 were approved as a true and accurate record.

29/21-22 MATTERS ARISING

13/21-22 A briefing paper on the covenants would be presented later in the meeting.

21/21-22 The position on Lennartz would be shared as part of the dedicated agenda item.

30/21-22 FINANCE REPORT – BANK COVENANTS

The Interim CFO shared his report summarising the position with the bank covenants.

The context was provided from 2012 which detailed the initial loan and repayment terms, at a favourable interest rate, the detail of which was included in the report.

The covenants were reviewed in 2017 and remained in place.

The report summarised performance to date and that expected in the near future.

Action	Date
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Name: Rose Matthews

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The risks were also raised in terms of any covenant breaches.

The Committee Chair questioned if the current rate was reasonable. The Interim CFO explained it would be significantly more if it had to be renegotiated now.

The Committee Chair went onto ask, given the financial position of the College, had the College not considered paying off the loan. It was noted there would be some fixed charges to pay in such circumstances. The need to invest in the infrastructure was pointed out, which had been at a minimum to maintain the financial position over a number of years.

Members noted the favourable interest rate and the cost to repay the loan could be quite high. They agreed it was reasonable to invest back into the College and maintain the loan at this time.

31/21-22 FINANCE REPORT – LENNARTZ POSITION

In light of discussions at a previous meeting, the Interim CFO had prepared an overview of the Lennartz position.

VATAngles had been appointed in February 2013 to look at VAT payable in respect of construction work undertaken and services offered by the restaurant and beauty salon.

The detail of the arrangement and advice given was outlined in the report.

32/21-22 MANAGEMENT ACCOUNTS – MARCH 2022

The Management Accounts for Period 8 were shared with the Committee.

The EBITDA position at 10.26% against the budget at 7.32%, which was positive.

A full year forecast had been incorporated into this version of the accounts indicating an EBITDA performance of 7.26% against the original budget of 6.95%.

The full year forecast would be reviewed in the coming weeks and updated in the Period 9 management accounts. This would include the Lennartz monies referred to in the earlier agenda item.

The year to date position was strong, with savings on pay and non-pay. This had been positively impacted by the VAT rebate. Pay costs would increase moving forward, incorporating the pay award and higher national insurance costs.

Financial Health at 31 March 2022 was 'outstanding' (due to VAT rebate) with the full year forecast predicted as 'good'.

The key risks in relation to income were highlighted, particularly around AEB and apprenticeships.

It was noted April Management Accounts would be ready week ending 17/5/22 and the Clerk would circulate once finalised to Members.

Clerk

20/05/22

33/21-22 DRAFT 2022-23 BUDGET

An indicative income and expenditure budget had been prepared to July 2023, together with a forecast balance sheet and financial health rating.

Meetings had been held internally with work still being undertaken to finalise the proposals .It was noted there was no reason why it should be significantly different.

The College was forecasting an EBITDA of £3.802m in 2022-23 which represented 7.11% of income. It was marginally higher than the current year forecast.

16-18 Classroom based income

The income had been favourably impacted by the increase in base level funding rates, with band five increasing, but this had been offset with a requirement of an additional 40 teaching hours per student in order to earn it. No provision had been included in respect of 'catch-up' funding.

The total number of students on the curriculum plan ws 5,094 which his 81 higher than the allocation. Any impact on funding will be seen in 2023-24 unless the level of recruitment is 10% higher.

A sum of £250K is to be delivered on a sub-contract basis by Chameleon at a margin of 15%.

The allocation includes 300 T Level with the curriculum plan including the delivery of 250. Should the College deliver less than 240 there could be a risk of clawback for the shortfall.

Members questioned if there was a risk to not delivering the 250. It was noted a number had already applied, with over 60 applying for Engineering, and the other T levels were in their second and third years.

AEB

The College had an allocation of allocation of £7m AEB, with £4.7 delivered internally and £1.4 by sub-contract.

With £150K allocated to the Discretionary Learner Support the total would leave £700K potentially clawed back by the ESFA.

Apprentices

Total Apprenticeship delivery for 2022/23 is planned at £7.178m which is at a similar level to the £7.1m forecast to be delivered in 2021/22.

The forecast assumes that £208k is delivered by sub-contractors at a margin of 15%.

Income in respect of Rolls-Royce is anticipated to reduce due to the HE element of the provision now planned to be delivered directly by Derby/Sheffield University. This has reduced income by c£700k from the 2021/22 level. However, this is planned to be recovered by increased recruitment in other areas totalling £729k.

Members questioned the risk around this, it was noted this would be addressed through internal meetings.

Tuition fees were expected to fall.

Pay costs

Overall, pay costs were budgeted to increase by £3.1m from the level forecast in 2021-22 by 9.2%, which includes the 1% pay award, increments, the National Living Wage and some pension costs.

Vacancy savings have been included at £1m. This is prudent and realistic.

The Deputy CEO informed Members of an event she had attended earlier in the week with Trade Unions asking for a pay award of 10% or £2K. UCU had indicated strike action in the North-West during the exam period.

The AoC had urged colleges to review at a minimum the same rate applied to those on the benefit system. The College did have a lot of low paid staff and did struggle to recruit. Members discussed this at length and agreed it needed to be revisited, but were also mindful of maintaining the 'good' financial health of the organisation.

Non-pay

Non-pay was forecast at an increase of 2.6%, with curriculum non-pay lower due to a reduction in payments to HE delivery for provision at Rolls-Royce and sub-contracting.

Utility costs have been incorporated when the fixed term ends in September 2022.

Capital Expenditure

Indicative capital requirements have been increased to include 'catch-up' spending on IT and premises which have been restricted for a number of years due to financial reasons.

Examples, included the turnstiles at RH and the risks to the IT systems and Cyber Essentials Accreditation risk.

To ensure some IT equipment was procured in time for September, approval for a portion of this was sought from next year's spend, but to be committed now.

RECOMMEND: Members recommended the Corporation approve the necessary portion of capital spend to ensure orders were placed in readiness for September 2022.

CHAIR 28/05/22

Members also questioned if a rises in pension costs was anticipated, this was as yet unknown until the tri-annual valuation of LGPS had taken place.

RECOMMEND: The Committee recommended the Corporation to approve the minimum expectations, for the 2022/23 budget, of a 'good' financial grading.

CHAIR 28/05/22

34/21-22 ESFA FINANCIAL STATEMENTS REVIEW, INC FINANCIAL HEALTH DASHBOARD

Members noted a letter from the ESFA confirming 'good' financial health for the year ending July 2021 and provided a dashboard review of DCG's performance.

The dashboard information was in line with financial information members had already received.

It was pointed out staff costs as a percentage were higher than the sector average and were likely to increase. There was little option for the College around this and they had fed back to the AoC as the sector's representative body. The best teachers were required to deliver to generate the future talent, the College had to be competitive to secure these.

It was also noted the figure was not reflective, DCG outsourced catering staff, whereby other organisations did not and the cleaning staff were in house, where others outsourced.

The meeting finished at 11.00 am

Signed: _____ Date: _____