



MINUTES OF THE FINANCE AND RESOURCES COMMITTEE MEETING HELD ON 27 JUNE 2023 AT 10.00 AM REMOTELY VIA MS TEAMS AND IN T108, AT THE ROUNDHOUSE

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MINUTES OF THE FINANCE AND RESOURCES COMMITTEE MEETING HELD ON 27 JUNE 2023 AT 10.00 AM HYBRID REMOTELY VIA MS TEAMS AND IN T108, AT THE ROUNDHOUSE

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

In attendance: Jo Clifford (CFO), Heather Simcox (DCEO)
Rose Matthews (Clerk)

		Action	Date
40/22-23	APOLOGIES FOR ABSENCE No apologies for absence were received.		
41/22-23	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.		
42/22-23	MINUTES OF THE PREVIOUS MEETING HELD ON 20 MARCH 2023 APPROVED: The minutes of the meeting held on 20 March 2023 were approved as a true and accurate record.		
43/22-23	MATTERS ARISING		
35/22-23	The CFO confirmed the figure that was specifically allocated to people and to the provision in relation to the Brazel v Harper ruling. The budget report had more detail in relation to the targeted income improvements and the analysis of where the disadvantaged funding sat in the budget. More narrative on the budget was included in the report presented to the Corporation on 22 May 2023. Two meetings had taken place after the Corporation meeting in May with the CFO, DCEO, Corporation Chair and FRC Chair. The headline budget to achieve a 3% EBITDA was approved by the Corporation at its meeting on 22 May 2023.		
36/22-23	The Corporation approved the recommendation that an element of the FE Additional Capital Allocations grant (£242K) be allocated to improvements at the Stephenson Building.		

More information on the bank covenants was included in the budget report to the Committee at this meeting.

37/22-23 The Corporation approved the updated Financial Regulations and Procurement Regulations and Tender Policy and Procedures.

44/22-23 **LEAD GOVERNOR MEETINGS 1 AND 21 JUNE 2023**

Since the formal Finance and Resources Committee meeting held on 9 May, two lead governor meetings had taken place on 1 and 21 June to work through the detail of the budget.

Further analysis and more detail in terms of the budget was requested, which had been completed and was reflected in the reports presented.

The Lead Governor and Corporation Chair asked for the risks of implementation of the proposed budget and for the report to reflect the journey the College had been on to reach this point.

The meetings had proved helpful and provided further insight into the financial position, resulting in a comprehensive budget report.

43/22-23 **BUDGET AND FINANCIAL RE-FORECAST**

The CFO presented the proposed budget for consideration and approval, prior to submission to the ESFA by 31 July 2023.

At its meeting on 22 May the Corporation approved targeting a 3% EBITDA position.

The 2023-23 budget proposed targets a £0.6m sector EBITDA and 1% EBITDA financial health, which equates to a Requires Improvement financial health score. This is due to unprecedented financial pressures, outlined in the CFO's report. The proposed budget goes below the minimum levels of return and efforts would be needed to continue to try to improve the financial position.

Members noted the position had arisen as a result of the funding uplifts by the Department for Education being insufficient to cover the long-term escalating cost of pay and inflation.

The Academy contribution analysis showed a budgeted contribution of 40% overall and was detailed in the report.

DCG are required to prepare a forecast for 2024-25 alongside the Budget. The assumptions in the 2023-24 budget have been rolled forward to 2024-25 and further future assumptions considered.

The current forecast for 2024-25 is based on prudent income assumptions and targets £54.2m income, £2.8m Sector EBITDA, 5.2% EBITDA, and financial health = Good. Significant inflationary and pay pressures have resulted in additional savings

of £1m being required to deliver a balanced budget.

The detailed information and assumptions were presented in the accompanying report. Prudent assumptions have been made throughout, there are continuing known financial pressures and risks which will make delivery of the Budget and Forecast challenging.

The CFO pointed out the College were £1m adrift from EBITDA with the capital grant increase distorting the bottom line. The capital release would be re-evaluated during the course of next year.

The Corporation Chair questioned the grading for 2023-24 in the CFFR return and when the proposed method would be coming into effect. The CFO explained the proposed method was still being evaluated and was not yet legislation. She clarified if it was in place, it would affect all the colleges with low gearing like DCG – yet those with high debt would be OK.

Members then went onto discuss the bank covenants and the likelihood of a breach. If there was a breach the reserves could tolerate for another year, but this would impact future years if there was not a massive funding change.

The key risks and challenges from the last meeting were outlined and discussed.

Members questioned the CFO on the likelihood of receiving the additional monies requested for the IoT from the DFE.

Apprenticeship provision was still down and a key area of risk. Emergency funding for some frameworks the College can deliver had been released, these had not yet been modelled in the budget presented.

The College had been allocated unprecedented capital funding. The budget for 2023/24 included significant planned capital spend working on key projects and utilising the FE capital grants which had been awarded. The detail of these were outlined in the report.

Members noted to complete the capital programmes and meet the match funding requirements, there would be a requirement for the college to fund £1.865m directly from cash reserves and this was modelled into the cashflow.

The Committee Chair pointed out the Corporation could refuse the general capital requests and defer to the following year. It was noted it would affect the infrastructure and curriculum.

The Committee Chair suggested there may be a need to phase the work in case the College needed to retain some cash. The CFO agreed phasing could be revisited in terms of the curriculum projects.

JC

10/07/23

It was explained some estates work would likely take place over the summer and curriculum was a range of projects – one of which was required to complete end point assessments – where a piece of machinery had broken down. IT was also significant.

The Leadership Team noted the link governors had been involved in the curriculum business planning panels and sat through capital requests, some of which were to introduce new programmes to achieve growth for student numbers. There had been lots of projects that had been rejected prior to this stage in terms of capital requests.

The report outlined pay costs savings, with several million already saved in vacancies. The Corporation Chair acknowledged some of the measures put in place were not just cost savings but efficiency measures.

This was the first time the College had not been able to match the requirements set by Members at the meeting in May. Energy, inflation and pad were significant factors, with no uplift to meet these.

A 3% EBITDA could be delivered, but not realistically. The details of this were discussed in the meeting and it was noted delivering it would be virtually impossible and would ultimately reduce the College's income.

Members debated the position for some time, the Corporation Chair concluded to meet a 3% EBITDA for the budget would be irresponsible.

PD pointed out student numbers were predicted to increase on a lagged system, that should support future years. The current situation couldn't be sustained for future years but could be for at least one.

RECOMMEND: The Finance and Resources Committee recommend the budget as drafted in the report, including the capital budget to the Corporation for approval.

MM 10/07/23

44/22-23 FINANCIAL PLANNING HANDBOOK SELF-EVALUATION

The CFO shared the evaluation of the budget and financial re-forecast which had been undertaken in consideration of the Financial Planning Handbook Self-Evaluation.

RECOMMEND: The Finance and Resources Committee recommended the Financial Planning Handbook Self-Evaluation to the Corporation for approval.

MM 10/07/23

45/22-23 MANAGEMENT ACCOUNTS

The CFO presented the Period 10 Management Accounts, up to May 2023, outlining the key points. The income and expenditure account showed a year-to-date sector EBITDA surplus position

of £2.697m (5.85%) against the budget of £2.908m (6.32%) which is £211k adverse against budget cumulatively.

The full year forecast had been updated to reflect an improvement due to pay savings and currently projects an EBITDA of £2.132 (3.8%) compared to the forecast presented to FRC in October 2022 of £1,660 (3%) and budget of £3,288m (6%).

Key movements for the year were outlined in the covering report.

46/22-23 **SUB-CONTRACTING PROVISION AND SUB-CONTRACTING POLICY**

The CFO presented a report on the sub-contracting arrangements for 2023-24.

The College currently sub-contracted elements of its provision across the AEB and Apprenticeship income streams.

Planned sub-contracting is outlined below, more detail is included in the report presented to the Committee.

AEB

2023-24 Proposal	Contracted value	Cost to College	Provision	Rationale
Tempus Training	£500,000	£425,000	Warehousing , E&D and employability skills – distance learning	Meets skills needs, widening opportunities to wider cohort, disadvantaged groups
Skills College UK	£456,624	£365,299	Rail engineering track maintenance specific training delivered in Derby	Meets skills needs, widening opportunities to wider cohort, disadvantaged groups
The Construction Skills People	£250,000	£200,000	Range of construction related provision including H&S, carbon awareness & energy management . Derby training academy and 'pop up' venues	Meets skills needs, widening opportunities to wider cohort, disadvantaged groups
Total	£1,206,624	£990,299		
Total AEB Allocation	£5,792,000			
Percentage of allocation	21%			

Apprenticeships

Subcontractor	Delivery	2023-24 New	No. of new starts	Rationale

		starts contract		
Risual	ICT	No	0	N/A
SM Hair Salons Ltd	Hairdressing	No	0	N/A
Breedon House Nurseries Ltd	Childcare	Yes	Up to 50	Local employer expanding geographical access in skills shortage area
MW Cripwell Ltd	Engineering	Yes	Up to 10	Local employer expanding geographical access in skills shortage area

Members questioned how the quality of the sub-contracting provision was monitored. It was confirmed this was through the performance reports presented at the Curriculum Performance Committee.

An annual review of the Sub-contracting Policy had taken place with minor changes proposed,

RECOMMEND: The Committee recommended the proposed Sub-contracting provision to the Corporation for approval and the Sub-contracting Policy.

47/22-23 ENERGY PROCUREMENT

The CFO presented a report outlining the proposed steps in relation to the contract for the supply of electricity and gas, which was due to expire on 30^h September 2023.

It was noted the College had engaged with Dukefield Energy as the sole approved broker via the CPC framework which is a compliant procurement route.

The available options were presented to the Committee with the latest indicative pricing and financial evaluation for consideration.

The Committee Chair questioned how many providers were included in the framework. The CFO confirmed there were four, but some were unable to offer quotes to the College.

RECOMMEND: The Finance and Resources Committee recommended the Corporation enter into a one-year contract based upon the most economically advantageous quote received at the point of signing. Furthermore, it is recommended that contracts are signed at the earliest opportunity following approval by the Corporation to provide cost certainty for 2023/24.

48/22-23 ESFA FINANCIAL HEALTH DASHBOARD

The ESFA's Financial Health Dashboard was shared with members and the updated format noted.

Members discussed and received the report.

49/22-23 CONTRACTOR APPROVALS

Approval was sought to appoint YMD Boon as the principal design team lead for the development and progression of the Post-16 Capacity Fund project to develop and build an Automotive Engineering facility by an extension to the Stephenson Building. Estimated fees are circa £230,000 which was accommodated within the capacity fund project.

One tender response, by Davlyn, was received for the principal contractor for the development and construction of the East Midlands IoT at a value of £3,795,330. This identified a shortfall of £600K from the pre-tender estimate due to the increased building material costs, projected inflation and changes in design specification to accommodate consultee feedback. A request has been submitted to DfE to fund £339k of the additional costs and savings of £285k are targeted through value engineering to bring the overall project cost back in line with budget.

The Committee questioned the likelihood of the DFE not authorising the additional funding. Due to ongoing dialogue, they were aware of the challenges and it was anticipated this would be covered.

RECOMMEND: The Committee recommended the appointment of YMD Boon as principal design team lead for the progression of the Capacity Fund project and the appointment of Davlyn as the principal contractor for the development and construction of the East Midlands IoT at a value of £3,795,330 to the Corporation for approval

50/22-23 ANTI-MONEY LAUNDERING POLICY

A review of the Anti-Money Laundering Policy had taken place with no changes proposed.

51/22-23 WHAT HAVE WE LEARNED?

The financial challenges to the College and the impact this had on achieving a 3% EBITDA.

The meeting finished at 11.30 am

Signed: _____ Date: _____