MINUTES OF THE CORPORATION BOARD MEETING HELD ON MONDAY 13 DECEMBER 2021

Present:

Governors:

Antony Ball	Emma Kirk
Angela Briggs	Mick Lochran
Ruth Brook	Paul Scanlon
Tom Burton	Mark Swales
Luke Cantrill	Lee Tillman
Greg Clarke	Iwi Ugiagbe-Green
Richard Gravestock	Andrea Ward
Peter Grant	

The quorum for the meeting was nine members.

In attendance:

Jo Garrison	Director of Governance / Clerk to the Corporation
Barrie Shipley	Director of Finance
Rachel Maguire	Chief People Officer
Sharon Smith	Principal / Deputy CEO
Debra Watson	Grant Thornton (Item 3)

The meeting took place on MS Teams and started at 5.03pm.

Item	Minutes	Action

1 Apologies

Apologies for absence had been received from Hayley Barker, Lee Walker, Alan Rayment, Harry Mallett, Scarlett Littlemore, Dolly Agoro, Karen Jackson.

2 Declarations of Interest

Members should declare any personal or financial obligation, allegiance or loyalty which would in any way affect decisions in relation to the subjects under discussion.

3 Audit Findings Report

D Watson introduced herself to the board as the engagement lead from Grant Thornton (GT) and responsible for signing both the audit opinions for the group and its subsidiaries.

Members were updated that there are several reasons that are outside of management control and more in Grant Thornton's control, why there have been significant delays to finalising the accounts. This is due to some additional work they have had to do around funding and some issues internally with team members. This has meant the work is not yet finalised.
GT had several items outstanding and are most of the way through all the detailed work. From the audit findings report, where they have completed, they have not found any issues. D Watson assured members there are no significant issues that are coming out of GT's work but they still have some finalisation of procedures,

and in particular, the quality reviews that they must do internally so that D Watson is able to sign off that the audit opinion of the accounts.

Members were updated that an area outstanding is the going concern review. B Shipley has carried out an assessment. D Watson concluded GT were not able to be able to fully finalise the audit findings.

A Briggs expressed the update was obviously very disappointing and stressed to governors that whilst we do not have a blame culture, it is important to note that B Shipley and his team have no control over these issues. They are completely external factors for delay. D Watson clearly acknowledged that it is a Grant Thornton issue, and the accounts are a month overdue.

There are two things that GT have not received and need to receive in the next few days: the bank letter from Lloyd's, though that is in progress; and the final confirmations from the ESFA on the 16 to 19 funding. Members were advised GT are planning by Wednesday 15 December they will know where they are with the detailed field work and the majority of the going concern work will also be completed.

B Shipley informed members that his team are on standby w/c 20 December to ensure the ESFA deadline is met. B Shipley assured members work completed is robust and no issues have been raised. B Shipley suggested the board approve the financial statements and letters of representation with the caveat that the Chair (Corporation Board) Chair (Audit & Risk Committee) and the Chair (Finance & Resource Committee) review the final amendments and approve with the board's approval under a Chair's action, should the work continue into w/c 20 December.

Members were asked to consider this action and approve. If the deadline cannot be met, DN Colleges will take the decision by 17 December to inform the ESFA of a delay until the first week of January. B Shipley was very clear he did not want to take this action, but if necessary, it would need to be caried out.

Resolution: Members approved the action to enable the three Chairs to review the accounts and approve through a Chairs action if GT finalised the accounts and gave assurance they were accurate.

P Scanlon and A Ward joined the meeting at 5.25pm

4 Financial Statements and Regularity Assurance Report

i. Annual Report and Financial Statements

B Shipley assured members at this point there are no material changes to any of the numbers in terms of the prime statements, there has been some tidying up of narrative disclosures and consistency that feed through the notes in the accounts.

Members were assured that subject to the completion of that work there are no changes to the prime financial statements and the financial position that was reported at the Audit and Risk Committee.

Members are to note that there has been an unadjusted misstatement for Adult Education.

B Shipley advised this has not been adjusted for adult income within the accounts. This is not deemed material in terms of the overall position of the financial statements. Members were informed the Group will benefit from this in the 2021/22 financial year rather than last financial year.

Members were informed the subsidiaries have all been approved. There was just one thing that is waiting on final sign off in terms of the treatment of the LGPS pension liability in Optime.

Some staff had been TUPED into Optime rather than on to a DNCG contract, which created a pension liability with the Optime financial statements and resulted in a negative net asset position. Those staff have now been transferred onto DNCG contracts which has removed that liability from Optime.

The issue was whether this was a taxable profit or not in terms of their treatment, or for the unwinding of that liability. Assurance has been confirmed with GT and the tax advisors, as agreed with the management position, that it was not taxable. Members were assured there is no taxable corporation tax charge.

Optime has small negative net assets of £10,000. This is due to the Deed of Covenant that essentially obliges the Group to gift aid all of the profits out of Optime into to the Group. Members were informed this will resolve itself either through the taxable profits gift aided next year, or the Group will make an amendment to the Deed of Covenant to allow for that.

Members were assured DC Teach and Kingsway have no issues to report. Members were informed that DC Teach is in the process of closing and winding down the accounts. The next stage of that is to seek approval and file the accounts with Companies House.

ii. Letters of Representation

Members were provided with an overview of the accounts. There was an unsigned lease agreement with the NHS, but the Group has written confirmation from the NHS which is an agreement in writing that they have accepted all the terms and conditions of that lease. This is now with the solicitors in terms of getting the lease signed. B Shipley was to provide the Corporation with assurance around the going concern judgment.

The financial forecast has been updated based on data up to the end of October. A revised forecast for 2021/22 financial year has been completed that shows there is significant impacts in terms of HE recruitment. That has resulted in a £1M reduction in income that is offset by some savings in staffing recruitment.

Members were informed the Group has held back some staffing posts linked to student recruitment which comes to just under £550k to offset part of that. The Group has also experienced some year-to-date savings that have been recognised in terms of savings to non-pay. The net effect is an increase in the overall forecast deficit from a budgeted £200,000 to £600,000. But that is before any mitigation action has been taken, so the finance team are already reviewing non pay accounts as an example to identify additional savings.

The Group has clearly under recruited in some areas and this needs to be reflected and staff and department budgets adjusted in terms of those non pay savings. B Shipley advised members that he is confident that will there are some relatively significant savings and estimated a figure of around £750k worth of target savings. Members were further assured around the banking covenants and the financial health position remains outstanding.

Clearly there is a reduction in income there that the Group may need to make an adjustment for and mitigate against potentially any further deterioration in income should further lockdown occur as an example.

The approval of funding for the AEB business case has improved further the cash position. There is currently £15.5M in the bank at present.

Management have tested the covenant with the least forecast headroom; Lloyds Bank operating cashflow to debt service.

Without any mitigating actions, the Group has £1.8m of headroom i.e., operating cashflow would have to reduce by £1.8m before the Group breached this covenant.

In terms of income streams for this to materialise, the Group would be at risk of breaching the above bank covenant if AEB income reduced to 78% of budget compared to the 90% assumed in the reforecast, and HE retention reduced to 88% compared to the assumed 95% forecast. This is before any mitigating action is undertaken. However, as mentioned above, the Group is re-visiting non-pay budgets to realise savings and is targeting achieving savings of £750k.

The letters of representation are a relatively standard document in terms of year end, as the board would have seen previously. Essentially the Corporation Board of Governors are confirming that they fulfilled all their requirements in terms of the funding body regulations and provided all the information through the Executive Management Team before the board signs off the accounts.

Members were asked to approve the Letters of Representation, and further discussions were held around the governance mechanics of the process of getting them signed off. Members were asked to approve the financial statements and letters of representation with the actions outlined under agenda item 3 for Chair's action for final review and approval.

A Briggs and M Swales praised and thanked B Shipley for the robustness of activity undertaken and the thorough appraisal to the board.

Resolution: Members approved the Financial Statements and Letters of Representation, subject to Chair's review and final approval W/C 20 December 2021

D Watson left the meeting at 5.39pm

5 Minutes of the Corporation Board meetings held on 20 October 2021 and any matters arising

The minutes were agreed as a true and accurate record and signed by the Chair.

Matters arising:

Item 7 (20/10/21) Item closed.

6 CEO Report

M Lochran informed members of the latest CV19 figures within the Group. The Group have consistently reported between 35 to 45 and has been below 40 cases for the last few weeks at any one time. The Group are following the recent Government new guidance around the wearing face masks in communal areas and on transport.

International trips were scheduled from January 2020 all over the world, such as Saint Lucia, Germany and Norway. The COVID Group made the decision to suspend those scheduled trips because of the risk to staff and students. If somebody presented with COVID whilst oversees, the government are advising that this would impact on student's education, as well as their health. Also, the cost and logistics of quarantining regulations. Currently scheduled local trips will be assessed on a case-by-case basis.

M Lochran was pleased to inform members that the business case to reduce the funding clawback for ESOL students and students from disadvantaged areas, job centre students and employers who would not let students come to college was successful. Members were informed the Group was awarded the full £940k.

Angela Briggs praised the Group and genuinely recognised the work done to secure this funding. It was heartening to hear the honesty from the Group and the DfE took this into account for awarding the funding.

The Capital Transformation Fund is being progressed. M Lochran informed members there is some pressure to make decisions on space but assured members that there are good relationships generally. It has been provisionally accepted that the land disposal will be approved as the full match funding for the college.

Their value of the land is estimated at £6M currently which is accepted as the 25% contribution. Members were informed that if the land disposal reduced it would not affect that agreement.

Members were further informed about the number of classrooms and hours a week that have been unaccounted for. To give members an indication of size, B Shipley informed members the building is twice the size of the UCNL. In terms of what those new buildings would look like, it will consist of two buildings, one smaller for construction at the back of the campus, and a front of house larger building. Just under 9000 square metres was the proposal. Members will be updated in the New Year.

Members are aware that DNCG is leading the South Yorkshire Institute of Technology. The interview took place in London last week and there were three lines of inquiry to answer around collaboration, governance, and the partnership. It was clearly articulated that whilst partners are working together, each partner will be responsible for their own outcomes and their own capital repayments, if that was a requirement in the future. The outcome of the interview should be known prior to the Christmas period.

Members were informed that A Briggs and M Lochran met with the Skills Minister recently. He came mainly to talk to the South Yorkshire Accelerator Board and LSIP relating to the local skills improvement plans.

M Lochran praised R Maguire for a doing a very good job within the group. There has been a lot of focus in the sector about violence against women and equality generally etc. R Maguire has secured accreditation for the White Ribbon. This is a great example of what the Group are doing and delighted with the outcome.

M Lochran informed members more and more staff are asking about pay and conditions with concerns such as the minimum wage and increase of cost of living. Member were informed that R Maguire is leading a full review of staff pay and conditions.

Members were updated on the Skills Accelerator and the learning skills improvement plan and the Skills Development Fund. The Group is looking at investing in employee business centres at both sites. Funding has also been received for the Community Renewal Fund. This is the precursor to the Future Prosperity Fund, which will replace European funding that the Group has received in the past. £1M has been secured.

The Community Renewal fund has extended the deadline to June 2022, so the Group are relatively comfortable with spending that timely. The Skills Accelerator Fund has not all been spent with a fast approaching deadline of March 2022. M Lochran advised members that due to the pandemic it will be hard to meet this deadline.

Members were informed that P Grant had attended the opening of the Humber Energy Skills Training Centre and cut the ribbon which was a proud moment for the Group. M Lochran informed members it was a most uplifting experience because of the positivity from the students at the event.

M Lochran talked about the enormous amount of activity with green energy and the decarbonisation of the Humber. He informed members of the employer engagement with South Korean and Spanish companies leading in the local area, making different parts of the wind turbines from the base to the actual pylon. He talked about the connectivity with Siemens and the engagement and collaboration already being delivered with them.

Members were advised the decarbonisation programme will create an estimated 28,000 jobs in the local area mainly requiring engineering skills. M Lochran has agreed to lead a group across the Humber, which will enable a whole college approach across the Humber. The first meeting will be held early in the New Year.

A Briggs praised M Lochran and the teams for the heartening update and assurance given that whilst the CEO secures such strong working partnerships and collaboration with the local employers and regions, there is such a strong executive leadership team now in place to ensure the quality of provision is delivered.

L Tillman echoed A Briggs' comments and further added that it was fantastic to see what is almost seamless, in terms of the team. The assurance provided to the board of the excellence of the college leadership and colleagues; how they work with other partners; and for the organisation now, in terms of bringing resources in getting access to government initiatives, being at the forefront of some of those agendas with Ministers in Doncaster. It just pays testament to the partnership working and the collaboration in place that will benefit both regions.

7 **DN Colleges Group Self-Assessment Report**

S Smith presented the Group's Self-Assessment Report and noted this had been presented in detail at the Curriculum, Quality & Performance Committee meeting on 22 November 2021.

Members were updated of the extensive work internally and the Executive team inputting into the report with wider colleague input. This information was collated along with the feedback, which has since been incorporated into this final version. The report was presented with the recommendation for board approval.

T Burton and R Brook expressed their further assurance of the robust review of the Self-Assessment Report during the CQP Committee meeting and gave praise to S Smith and the team.

M Lochran explained to members the previous SAR showed roughly 33% of areas that we required improvement in curriculum areas. The Group had now achieved 50% outstanding and 50% good with no areas requiring improvement. This is a massive shift for the Group.

Resolution: Members approved the DNCG Self-Assessment Report

8 **HE Self Evaluation Document**

S Smith presented the HE Self Evaluation Document to members. This did not show as good a picture as the FE Self-assessment and the cause is clear throughout the document.

The OfS requirements are very different to those of HEFCE. S Smith advised members in previous years the Executive team have presented an annual report for each separate university centre. The Chair and VC of HEPQ were advised of the suggested changes to this year's HE self-evaluation and were supportive of the new approach. Whilst this is now one document, it is visible to see both sites.

Members of the HEPQ committee agreed this had extensive scrutiny at that committee, because there are some areas requiring improvement. S Smith acknowledged there are some issues in the Groups continuation completion evidence and some issues with gaps in quality.

It has been identified where the Group should be and recognised some of the impact of COVID, but some of it is work that the team need to support with in reporting of data to be able to better differentiate, in areas such as students from under-represented groups.

Members were assured a QIP is also in development. S Smith further reassured members that whilst the Group may not have a formal QIP yet, the actions are already underway, and that is being made possible because of the new deliberative restructure of HE. Members were further assured that A Ward, the HE Link Governor, has a meeting scheduled for February 2022 to meet with the new Assistant Principal to discuss some of those continued areas for development.

A Briggs acknowledged the importance of the risk identified in the HE provision and echoed there is a clear plan to enhance the provision and a greater assurance had been given at the HEPQ Committee meeting. She also added it was one of the most open HE meetings held in quite some time

R Brook also reinforced the HEPQ meeting had been very open and honest and praise was given to A Girvin for presenting a report that was really stimulating. There were some robust conversations, particularly about recruitment and expanding the learner numbers.

Members were asked to approve the HE Self-evaluation documentation.

Resolution: Members approved the HE Self-evaluation documentation.

9 Draft Audit & Risk Committee Annual Report

B Shipley informed members the annual report went to the Joint Audit and Risk and Finance Committee meeting. This is a requirement of part of the post 16 Audit Code of Practice that the Audit Committee must provide an annual report that provides assurance to the board around the regulatory framework and DNCG's approach to risk management and controls.

Members were presented with key points of the report, and a control weakness relating to apprenticeship income that was identified from the work of internal audit was also brought to members attention. An action plan has been agreed and significant progress was updated to the last Audit and Risk Committee around that particular action plan. This control weakness has also been included in the financial statements Statement of Internal Control.

There were no other control areas for improvement identified but is subject to GT completing their work and issuing an unqualified audit opinion.

B Shipley concluded with assurance to members that the overall summary was that the board could take their substantial assurance in terms of the effectiveness of both the systems of internal control and risk management in terms of the work of the Audit Risk Committee throughout the year, it has fulfilled of its terms of reference, and this should be considered as part of members' view in terms of signing off the financial statements. Members were asked to approve the annual report.

Resolution: Members approved the A&R annual report.

10 Group Loans – Libor Cessation

B Shipley informed members the group's loans had been presented to the F&R Committee. Members were updated that the loans with Santander included a referenced rate Libor which will cease to exist from 1st January 20202. This is a standard reference point in most loan or mortgage agreements to calculate interest.

Essentially all banks and all financial institutions are revisiting their loan arrangements or agreements that relate to Libor. The Group has three loans, two with Santander and one with Lloyds.

Lloyds' loan does not need any change in in terms of facility arrangement, because it already makes reference to an alternative reference rate, while the two Santander do refer to Libor.

Members were informed if the Group defaulted on the Santander loans, any additional interest will be calculated with reference to the new reference rate. Santander are proposing the Bank of England Base Rate plus a Credit Adjustment Spread. The loans are a fixed term period that ends in 2030.

Members were asked to note that there will not be any change to the current interest repayments or repayment periods. It is not intended to change any of the margins that are currently pay on that interest.

There is a need from Santander to update our facilities agreement and B Shipley is recommending that the Corporation board accept this change in reference rate.

The fixed rates will continue to be upheld. The recommendation is purely because it is a credit facility that the Corporation Board have approved and a requirement to sign off the Amendment agreement.

Resolution: Members approved the amended agreement.

11 Performance Update 2021/22

S Smith gave members some key highlights of the performance update 2021/22. The final achievement outturn for last year has no significant changes except for adult achievement dipped a little bit because of English and maths; also, English high grades and the progress to date. Members were advised this is based on targets of the improvement and stretch targets from the strategic plan.

Members were also updated on enrolment and the early indicators around retention and attendance of students within this year. S Smith explained the detail has been scrutinised at CQP and HEPQ Committees.

Some key highlights were 16 to 18 has a very strong performance above target. 19+ is down on targets, the forecast that the Board has previously reviewed have been impacted in assessments that could not take place due to COVID, but more around the ESOL and functional skills assessments that had no adaptations allowed.

Apprenticeships are significantly down due to COVID in the main, furlough and breaks in learning, loss of employment and some pockets of underperformance. Some of the curriculum areas are being addressed with an urgent improvement plan. Some of that impact is due to capacity as was raised in the CEO report earlier in the meeting. The Group still has some issues within Engineering capacity.

In terms of allocation, members were informed this will impact on funding for 16 to 18 next year but assured work is underway to re-engage some of the early leavers. Additionally, offering January start date programmes.

HE is significantly down and the mitigation for the loss of income and costs was explained earlier in the meeting and provides a more accurate position than when the paper was written. Financial modelling is being undertaken to ensure this is captured in the budget.

In early January a meeting will be held with the combined authority for the first performance review meeting of the devolved administrations.

Apprenticeships are still being closely managed due to ongoing issues in Engineering and Construction. The vacant posts in Construction have now been filled, but there was still a struggle with some vacancies in Engineering.

Due to this issue, members were advised the Group are putting apprenticeship enrolments on hold in Engineering for a little bit longer. Members were assured this is a sector wide issue and engineering companies are also struggling to fill their vacancies.

12 Management Accounts to 31 October 2021

B Shipley presented the sets of management accounts. Members were advised it was very early in the recruitment process in terms of finalising AEB student data and therefore the accounts represent the accruing to budget for AEB income.

The Group are behind on income for the three months and mainly around that HE income and what this is also showing in terms of the management accounts is that the Group is behind profile in apprenticeships. However, at the time of preparing this report there was a delay in getting enrolments onto the system.

Achievement of Apprenticeship budget is still on track but is contingent on achievement and further in-year enrolments. The latest data shows apprenticeship income of just under £8.4m and overall is a positive position.

The accounts reflect the under recruitment in HE for the three-month period that members had been advised earlier in the meeting on the financial impact of what that is in terms of our current forecast position.

The overall income for the three-month period is down just under £750k.

B Shipley assured members that this is currently offset by underspends on both staff and non-pay expenditure. The Group is carrying some significant vacancies especially in Engineering. Whilst this is a historical hard to recruit area, the Group is also experiencing staff recruitment challenges across the board. The impact of Brexit and the employment of foreign nationals in more traditional roles of cleaning and catering were further examples. A total of £550k has been held back on staffing posts that was linked to successful student recruitment.

Members were assured that the summary in terms of the three months shows the Group's cash flow is strong at this point. There has been delays in terms of capital programme works. One thing to bring to members' attention is the Group is significantly behind on the Condition Fund. The Group received £1.6M towards improving the condition of the estate. Part of the funding was earmarked for replacing lagging to the roof at Doncaster, backlog maintenance work and investment in renewable energy technology at North Lindsey. There have been challenges with the contractors subcontracting supply chain and availability of materials because of COVID resulting in a delay. The design of the heat source pump has required a re-design. This has all resulted in the Group being behind profile, with the works originally scheduled to be completed by September. The current forecast is that it will be completed by February.

Secondly, the roofing works at Doncaster required a shutdown of between 6 to 8 weeks of the heating system that was not possible during the Winter. The Group has made those representations to the ESFA. The ESFA funding agreement clearly states the work had to be committed, not complete, and the Group can demonstrate that they have committed to those works contractually before the end of September. This provides a reasonable confidence to put a case forward, that clawback should not happen.

B Shipley informed members that due to these delays, there is potentially £1M at risk of clawback from the ESFA because the works have not been completed by the agreed September deadline.

13 Remuneration Committee Annual Report / CUC Report

Members were advised that the board adopted the AoC Remuneration Code and a requirement within the code is to publish an annual report. Members were asked to review the report and the CUC report (HE) and approve.

Resolution: Members approved the REMCO and CUC Annual Reports.

14 Terms of Reference / Cycle of Business Review

Members were informed the Terms of Reference and Cycle of Business were presented for information and approval due to the implementation of the People and Transformation Committee. Delegated authorities of CQP and F&R have transferred to the P&T Committee. HEPQ Terms of Reference show the inclusion of the HE Self-Evaluation Document.

Resolution: Members approved the ToRs and Cycle of Business.

15 Chair's Actions / Written Resolutions Update

Members were informed the Chairs actions and written resolutions were for information only.

16 Governance SAR and QIP

Members were informed the Governance SAR will be moderated by the Group's Quality team as part of the Business Services review on 14 December. Members were informed the grade is recommended as a good (2) with areas of outstanding in line with Management and Leadership. Members were asked to approve the SAR subject to the Group's moderation on 14 December.

The QIP has been circulated to each sub-committee Chair for final reviews and revision and the board were asked to approve the QIP as a working live document which will be a standard agenda item for all committee Chairs to action throughout the remainder of the academic year.

Resolution: Members approved the Governance SAR 2020/21 and QIP 2021/22.

17 Minutes of Committee Meetings:

a. Audit & Risk

b. Finance & Resources

c. People & Transformation Committee

d. Search & Governance

e. Curriculum Quality & Performance

T Burton provided assurance to the board in his first committee as Chair of CQP. Tom praised the work of the Group the assurance and action taken with regards to the Apprenticeship issues. T Burton advised members of the Sanction in place by City & Guilds and his confidence that the action in place will resolve the issue to a satisfactory outcome.

f. HE Performance & Quality

g. SPH Staffing and Remuneration Committee

All staff and students including the executive team left the meeting at 6.48pm

18 SPH Update

The SPH/Remco paper was presented by M Swales to the Corporation Board. The Board welcomed the recommendations which were all approved.

M Swales informed the Board that a review of SPH pay review processes would commence in the new year by the SPH/Remco committee. Recommendations would be brought to a future Board for approval.

Resolution: Board members approved all recommendations.

19 Any Other Business

There was no other business.

20 Date and Time of Next Meeting

The next meeting of the Corporation Board is scheduled for Wednesday 22nd February 2022, 5.30 pm, Doncaster College.

The meeting closed at 7.00pm.

Jo Garrison
Director of Governance / Clerk to the Corporation

Signed: …………………………………………….…. (Chair) Date: ……………………………..