

MINUTES OF A MEETING OF THE FINANCE & RESOURCES COMMITTEE HELD ON WEDNESDAY 30 NOVEMBER 2022

Present

Angela Briggs	Governor
Karen Jackson	Governor (from 5.29pm)
Emma Kirk	Staff Governor
John Rees	Governor / CEO
Paul Scanlon	Governor (Chair)
Mark Swales	Governor

The quorum for the meeting was three Members (at least 2 external).

In attendance

Barrie Shipley	Chief Finance Officer
Sharon Smith	Principal / Deputy CEO (Items 1-5)
Jason Wilkinson	Chief Information Officer

The meeting was held on MS Teams and commenced at 5.00 pm.

Item	Minute	Action
1	Apologies	
	There were no apologies for absence.	
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.	
	There were no declarations of interest made.	
3	Election of Vice Chair	
	The Clerk advised the committee that due to the resignation of Richard Gravestock, the previous Vice Chair of the committee, a replacement Vice Chair would need to be elected. The Clerk advised that only external governors were eligible for the role and called for nominations.	
	It was agreed, as not all committee members were in attendance, the request for nominations for Vice Chair of the committee should be conducted electronically outside of the meeting. The Clerk agreed to follow up with members following the meeting.	Clerk
	Members discussed committee membership and agreed the committee could be further strengthened with the appointment of an additional member. The Clerk advised members that there are plans to recruit two additional external governors that will be progressed in January 2023. The appointments will include a further external governor with strong finance skill with a view to increasing membership of the F&R Committee.	
	The CFO advised that the Audit & Risk Committee had, as part of a discussion about oversight of Digital risk, there was discussion of Preetha Kumar potentially moving	

Item	Minute	Action
	<p>from the Audit & Risk Committee to the F&R Committee. As the Board expertise in digital was with Preetha Kumar (PK) who is a member of the Audit and Risk Committee, and oversight of the strategic risk was currently with F&R Committee. It was agreed in the interim, that the oversight of the Digital Risk would sit with both the F&R Committee and the Audit Committee. The committee agreed to consider membership again once the new governors had been appointed.</p>	
4	<p>Minutes of the Finance & Resources Meeting held on 27 June 2022</p>	
	<p>The minutes of the meeting held on 27 June 2022 were agreed as a true and accurate record to be signed by the Chair.</p>	
	<p>Matters arising</p>	
	<p>Members reviewed the actions from the previous minutes and agreed all actions to be complete.</p>	
	<p>The confidential minutes of the meeting held on 27 June 2022 were agreed as a true and accurate record to be signed by the Chair.</p>	
5	<p>Performance Monitoring</p>	
	<p>The Committee received a report from the Principal/Deputy CEO on College Performance.</p>	
	<p>The Principal/Deputy CEO explained that the report provides an outline of achievement for 2021/22 where there was a financial impact on the end of year accounts and an update on enrolments to date for 2022/23, highlighting any impact on income and resources.</p>	
	<p>The Principal/Deputy CEO highlight the follows points in the report:</p>	
	<ul style="list-style-type: none"> • Apprenticeships came in at 53% due to many Frameworks being outstanding due to outstanding final assessments and external examiner visits. This 53% Achievement rate vs the projected 60% results in a shortfall of income in 2021/22 for apprenticeships circa £424,000, however, this will be offset with an additional un-budgeted achievement payment expected in 2022/23 of £359,733, resulting in a total Deficit over the two years of £62,267. • A full update on the utilisation of the FE Tuition Fund will be presented at the next F&R Committee meeting. • Update since the report was circulated on EPYP which is now in line with the ESFA allocation but still with less drop out in the qualifying period than previous years. • An update on Adult enrolment since the report was circulated South Yorkshire devolved budget above allocation and below allocation on the Scunthorpe based ESFA budget. • Apprenticeship enrolment is in line with profile with another 90 in the pipeline for January. • Whilst recruitment levels to apprenticeships are positive there is potential for issues around staff capacity in some over recruited areas such as Engineering. • HE enrolments (inc non-prescribed HE) are down by 109 which has resulted in a loss of income circa £929k with £300k predicted for January and in year enrolments which is a risk considering the enrolment trend in HE. There is a recruitment campaign underway to improve applications and then engagement activity to convert these to enrolments. 	

Item	Minute	Action
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- Other income from projects, bids and commercial activity is currently under forecast by £165k from Skills Bootcamps that were committed to last academic year alongside SDF bids.

Members discussed the decline in HE recruitment and considered factors that contribute to the fall in enrolments. It was acknowledged there were several contributing factors both external and internal. The Principal/Deputy CEO explained that a number of business planning strategies had been explored to improve recruitment to HE, including improving internal progression. Members noted there would be an HE In-Depth Review in February which all governors will be invited to attend, and which will provide detail on HE provision and plans for the future.

Members noted a drop in both apprenticeship and GCSE achievement rates and questioned if this is an ongoing concern. The Principal/Deputy CEO assured members the drop in achievement for both was a national picture and a legacy of the pandemic. Members were assured that achievement for both was looking strong for this year. The Principal/Deputy CEO also highlighted the importance of apprentices completing the End Point Assessment and explained that there was a focus on working with employers to ensure there is a commitment to the full standard.

Note: The Principal/Deputy CEO left the meeting at this point.

6 Draft Financial Statements and Regularity Assurance Reports 2021/22

The Committee received the draft Financial Statements and Regularity Assurance Reports 2021/22 presented by the CFO. Members noted the draft Financial Statements and Regularity Assurance Reports 2021/22 had been presented to and scrutinised by the Audit and Risk Committee at their meeting on 28 November at which the auditors were in attendance.

The CFO reported that the auditors, Cavanagh, Kelly had issued unqualified audit opinions on all entities in the Group.

The CFO reported that the Financial Statements are broadly consistent with what has been reported previously to both the F&R Committee and the Board. The CFO explained however, that following the final ILR submission, there has been a reduction in income, primarily due to under performance on final achievement on Apprenticeship income and AEB achievement and under delivery of ringfenced tuition fee funding, resulting in a total reduction in income of £951k.

The CFO highlighted that, in the summary statement of comprehensive income and expenditure, that the bottom line was a 2.2 million deficit for the year, however, when the local government pension scheme (LGPS) adjustments are added back, it results in a small surplus of £280K. The CFO explained the fluctuations in the valuation of the LGPS. The CFO reported that the Group still achieved Financial Health 'Outstanding' and met all banking covenants.

The CFO reported two areas of weakness identified within internal controls. These have been disclosed in the statement of internal control. It was noted these had been reported previously to the Audit and Risk Committee and the Board and action plans are in place.

The CFO reported that the two trading subsidiaries Kingsway Consulting and Optime Support sets of accounts have been fully audited. There are no audit recommendations and no irregularities. They were reviewed by the AGMs on 28

Item	Minute	Action
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November and approved on the basis that their audits are substantially complete. The CFO reported that there are two small profits within those organisations and any profits are gift aided back to DNCG under a deed of covenant. The CFO explained that Doncaster College and North Lindsay College subsidiaries are not trading therefore dominant accounts.

Members review the Cavanagh Kelly Audit Finding Report which summarises the key matters from the audit of DN Colleges Group and its subsidiary financial statements for the year ended 31 July 2022. Members noted the following key points:

- unqualified audit opinion no irregularities.
- two unadjusted misstatements but not material.
- there are two internal control recommendations that are low to medium priority. There are no high priority management recommendations.

Members noted that Ryan Falls of Cavanagh Kelly will be in attendance at the Corporation Board meeting on 12th December.

Members noted that there is nothing to report within areas of significant risk other than the low to medium priorities to enhance controls further.

The CFO explained that the draft letter of representation sets out the requirements of the Board that Chair would sign when they go to the board.

The CFO advised the committee that work on the ESFA funding assurance audit, which is being conducted by PWC, may not be completed until January. The CFO explained that the Board will not be able to sign off on the year end accounts until the issue of the confirmation of funding statement from ESFA. The CFO confirmed that an extension to filing accounts to 31st January 2023 has been requested.

Members discussed the work of the newly appointed auditors Cavanagh Kelly. The CFO reported that Cavanagh Kelly had worked well.

Members discussed the Governing Body's Statement on the College's Regularity, Propriety and Compliance with Funding Body Terms and Conditions of Funding. Members discussed the inclusion of the recommendations on weakness in internal controls. Members questioned the wording in paragraph 2 on page 22 of the Financial Statements should this read 'able' or 'unable'. The CFO assured members that the wording and inclusions followed a standard format but reassured members that he would review both these points and inform members at the Board meeting on 12 December if any amendments were recommended.

The CFO advised members that the draft Financial Statements and Regularity Assurance Reports 2021/22 would be presented to the Board at the 12 December meeting with the recommendation that the Board approve subject to the completion of the PWC ESFA funding assurance audit. There will be tentatively scheduled Audit and Risk committee and Corporation Board meetings at the end of January 2023 in case there is anything in the funding assurance audit findings that need to be brought to their attention.

CFO

7 Management Accounts to 31 October 2022

The CFO presented the management accounts to 31 October 2022, informing members of the salient points.

Members noted the adjustment to 2021/22 accounts in relation to the reduction in income of £951k as discussed in the previous item. Member noted the update on

Item	Minute	Action
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the Cost Improvement Plan, current forecasts for the year and outline of action plan to address the reduction in income.

The CFO advised that at this stage in the year, student data is still being cleansed ready for the R04 ILR submission. Therefore, it was necessary to accrue to budget for tuition fund income and AEB income. However, early indicators are AEB performance is ahead of the same period for 2021-22. Delays in enrolling apprenticeship students onto the student record system have impacted income recognised in this period. However, the Business Development Team are reporting enrolments are in line with profile. The out-turn for the year to date of £880k deficit is and adverse variance of £86k compared to an original budgeted deficit of £794k

The CFO further noted that Staff Costs are currently under budget for the year to date with the vacancy factor being realised in the first few months of the academic year but partially offset by increased agency usage.

The CFO highlighted the inclusion in the accounts of a new dashboard for performance against payment of creditors.

Members asked about the risks associated with HE in relation to low student recruitment, student dropout rates and viability of programmes. The CFO explained that there are some challenges around HE and these are being addressed with several mitigating strategies and an action plan. The CFO advised that a full picture on HE provision will be present at the In-Depth Review on 23 February.

Members enquired about the staffing agency overspends and how this compared to previous years. The CFO reported that levels are higher than previous year and that there are challenges in staff recruitment. Members discussed the issue and agreed post pandemic there has been a fundamental shift in terms of how the labour market is behaving. The CFO assured members that the Group were putting strategies in place to address the challenges.

Members enquired, given the current economic environment, are there greater challenges around financial soundness and the Group's ability to continue to meet the banking covenants. The CFO assured members that at the moment there is no cause for concern and provided members with an update on the Group's current position with banks. The CFO reported that following the announcement from the ONS on the reclassification of FE Colleges to public sector that there is potential for the position to change.

**8 Support Services Annual Reports:
a. Estates**

The CFO provide the committee with an update to the position with the Overbury final Account and Doncaster MEP works. The CFO reported that the scope of MEP backlog maintenance works remains incomplete and that, consequently an Exclusion Instruction was raised 23/08/22 to omit the outstanding MEP Backlog maintenance works from Overbury final account. The CFO further reported that due to extensive surveys over the past year it has been identified that the scope of the required works is greater than initially expected and the proposed budget for the works has increased significantly from previous reports. The CFO noted that there is an emerging significant risk in terms of underfunding and programme overrun relating to Doncaster MEP works. The CFO outlined a strategy a to split the works into 3 stages and explained the first phase would be to undertake essential condition

Item	Minute	Action
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improvement works identified through an independent survey to Doncaster College's main Hub building.

Members discussed the risk associated with increased costs in relation to the works and also noted the challenges with completing the roofing works within a timeframe of the grant funding and planning for the summer works.

The CFO provided the committee with a detailed update on progress with the T Level works. The CFO noted there is some risk around the proposed works in terms of supply chain in the market and inflationary costs putting pressure on the budget.

The CFO provided the committee with a detailed update on progress with plans for the South Yorkshire IOT (NCATI) project and DFE/North Lindsey College.

Members asked, in relation to the proposals for the AEB town centre provision, whether the proposals represented value for money. CFO reported that the proposals were still being considered by the SLT but assured members that returns on investment would certainly be considered before progressing any proposals to be presented to the Board.

Members commented on the importance of including the estates strategy in the strategic planning process.

b. Digital Technologies

The CIO presented a report on the Digital Information and Digital Technologies teams and programmes of work for the academic year 2021/22. The CIO highlighted the restructuring within the department. The CIO highlighted the introduction of several new internally built Software applications across the Group. The CIO provided an update on the Digital Technologies budget.

Members asked the CIO how he felt about the pace at which improvements in digital technologies have been implemented. The CIO confirmed that he was pleased with the number of improvements that had been implemented since joining DNCG.

Members asked about improvements in digital security. The CIO reported that digital security had been significantly strengthened and provided members with an overview of several improvements implemented and outlined plans for the future.

Members asked what insurance was in place in relation to cyber security. The CIO confirmed that the group is insured for professional indemnity.

9 Sustainability Update

The CFO provided the committee with an update report on the progress made by the group towards meeting its sustainability strategic objectives. The CFO reported that the Group established a Sustainability Group who continues to meet regularly to review sustainability performance.

Members reviewed the first draft Streamlined Energy and Carbon Report (SECR) at, as well as an update to the Group's current action plan and newly created dashboards to collate carbon data. Members noted the SECR has a couple of datasets still being collated and should be finalised to publish by the 31st December. The action plan is subject to being updated by the Sustainability Group.

Item	Minute	Action
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Members noted the headline carbon reporting figures are a 21% reduction in CO2e against a 2018-19 baseline.

10 Review of Committee Effectiveness

Members considered the performance of the Committee in 2021/22 and reviewed the Terms of Reference for the committee. Members also considered any improvements which could enhance the Committee for 2022/23.

Members agreed to update the committee’s Terms of Reference to include the remit of the committee for the oversight of the DNCG sustainability strategy. **Clerk**

Members noted that as discussed under Item 3, that the committee should be further strengthened with the appointment of an additional member.

11 Committee Chairs Report to Corporation Board

The committee considered the business of the meeting to note the key items for feedback to the Board including any changes to strategic risks for which it is responsible.

The following items were noted.

- Emerging risks around condition of estate
- Discussion around responsibility for oversight of the ‘Digital’ risk.

The Chair agreed to complete the feedback report and asked members to forward any further comments.

13 Any Other Business

None.

14 Date and Time of Next Meeting:

The next Finance & Resources Committee meeting is scheduled for Wednesday 22nd February 2023 on MS Teams.

The meeting closed at 7.05pm

Sharon Harmon
Clerk to the Corporation

Signed: (Chair) **Date:**

TABLE OF ACTION				
Date	Item	Action	Responsibility	Date Due
30/11/22	3	Request for nominations for Vice Chair of the committee should be conducted electronically outside of the meeting.	Clerk	Feb 23

30/11/22	6	Review the wording in paragraph 2 on page 22 of the Financial Statements should this read 'able' or 'unable'. Inform members at the Board meeting on 12 December if any amendments were recommended.	CFO	Dec 22
30/11/22	10	Update the committee's Terms of Reference to include the remit of the committee for the oversight of the DNCG sustainability strategy.	Clerk	Feb 23