



**MINUTES OF A MEETING OF THE BOARD
HELD IN THE ALBERT CRONEY CONFERENCE SUITE ON
TUESDAY 11 JULY 2023 AT 5.30 PM**

Present: Independent Board Members

Ms V McDermott (Chair)
Mr D Allsop
Mr S Howard
Ms L Sewell
Mr C Bozeate
Mr M Sowerby

Staff and Student Board Members

Mr C Todd (Principal & Chief Executive)
Ms H Brennan (Academic Staff Member)
Ms N Dixon (Support Staff Member)

Other Attendees

Ms S Errington (Deputy Principal/Deputy CEO)
Mr M Gray (Executive Director Finance and Resources)
Ms R Holmes (Director of HR)
Mrs E Gaines (Interim Clerk to the Board)

The meeting was confirmed quorate, with more than 40% of the actual Board membership present.

1 Apologies for Absence

1.1 Apologies were received from Mr G Lyons.

1.2 The Chair announced that Mr. Chester, the Vice Chair, had resigned, citing challenges with his work commitments. As a token of appreciation for his contributions as Vice Chair and the support he provided during the transition of incoming and outgoing Chairs, a farewell Board lunch is planned for the Autumn.

1.3 The Chair announced that Ms Farrell, the Student Member has stepped down. The Chair invited the Deputy Principal to provide a verbal update to the Board. The Deputy Principal reported that the Student Member's employer had transferred their business to another provider, which had led to the resignation. The employer in question (Cummins Engines) had chosen to move due to business and travel reasons, with approximately 30 apprentices impacted. The relationship with Cummins had ended on good terms and a new student board member will be sought as soon as possible.

2 Declarations of Interest

2.1 There were no declarations of interest.

The Chair expressed her thanks to the relevant Board members for volunteering to take on extra roles and requested the Agenda items 7.3, 7.4 and 7.5 were dealt with at the start of the meeting.

3 Board Matters

3.1 *Appointment of Corporation Board Vice Chair*

The Chair asked the Board to approve the appointment of Mr David Allsop as the Interim Vice Chair.

The Board approved the appointment of Mr D Allsop as the Interim Vice Chair.

3.2 The Chair asked the Board to approve the appointment of Ms Lesley Sewell as the Interim Chair of the Curriculum, Quality and Standards Committee.

The Board approved the appointment of Ms L Sewell as the Interim Chair of the Curriculum, Quality and Standards Committee.

3.3 The Chair asked the Board to approve the appointment of Board members to the following Board Envoy roles on an interim basis:

- Safeguarding
- Equality, Diversity and Inclusion

The Board approved appointment of the following Board Envoy roles on an interim basis:

- **Safeguarding – Mr David Allsop**
- **Equality, Diversity and Inclusion – Mr Malcolm Sowerby**

4 Minutes of Previous Meeting and Matters Arising

4.1 *Board Minutes and Matters Arising*

4.1.1 The Principal provided a verbal update regarding the Actions register. The majority of actions are complete. There is one item partially complete (item 4.2 – The Principal and Chair have agreed the settlement, with legal costs still outstanding. The deadline for completion is likely to be November). Two deadlines are not yet due 5.2.3 and 6.2.5.

The Board approved the minutes of the meeting held on the 23 May 2023.

4.2 *CQS Minutes*

The Board received the draft minutes of the Curriculum, Quality & Standards meeting held on the Tuesday 13 June 2023.

4.3 *Audit Committee Minutes*

4.3.1 The Committee Chair provided a verbal update to the Board. It was noted that the main agenda item of the meeting was the recommendation of the Internal Auditors.

4.3.2 **GDPR** - The Committee Chair also reported the Audit Committee will be considering the draft GDPR policy document in September alongside the Risk Management Policy and Board Assurance Framework, which are both under development.

- 4.3.3 **2022 Accounts** – The Committee Chair reported the external Auditor queried why the 2022 College Accounts were not available on the College website at the time of the Audit Committee and prior. The Executive Director of Finance & Resources reported, that after the Audit Committee meeting, he had reviewed the website and the 2022 College Accounts are now available.
- 4.3.4 **Internal Auditors** – The Committee Chair asked the Executive Director of Finance & Resources to update the Board regarding the situation with Audit One. He reported that in March, Wayne Brown of Audit One, had informed him that they would not be extending their contract with the College and that they intended to withdraw their services as internal Auditor on 31 July 2023. Audit One were withdrawing from the Education Sector as a result of the difficulty in recruiting suitably qualified and experienced staff. Although the contract comes to an end on 31 July 2023, Audit One will continue to report on active audits and work with their successor to ensure a smooth handover.
- 4.3.5 A long list of potential firms was drawn up which consisted of six providers that were larger regional firms offering internal audit services. The invitation to tender was issued to these firms on 17 March 2023. Most firms gave an initial response to the tender however, all firms but one declined to take part. Only one firm (Wylie & Bissett) provided a tender for consideration.
- 4.3.6 Wylie & Bissett were invited to give a presentation to the Audit Committee on Tuesday 20 June 2023. The Director of Finance outlined the key themes from the presentation including; audit approach; audit methodology; sector experience; ability to meet specification; number of audit days; staffing resource; added value; and price. (Redacted Minute – commercially sensitive). The Audit Committee agreed that the rate offered by Wylie & Bissett (when considering the experience of the staff involved) offers very good value for money.
- The Audit Committee Chair invited questions or comments.
- 4.3.7 The Chair asked, given that only one provider came forward, what assurance could be provided to the Board have that the long list was as good as it could be? In response the Committee Chair reported that all providers in the North-East who provide the relevant audit service to FE were asked to respond. The Audit Committee was confident that the College did as much as it could to identify appropriate firms to tender, acknowledging that it was disappointing that only one company came forward.

The Board received the draft minutes of the Audit Committee meeting held on the 20 June.

The Board approved the recommendation of the Audit Committee to appoint Wylie & Bissett as the College's new service provider.

5 Strategy and Direction

5.1 *Strategic Update*

5.1.1 The Principal introduced his Report. The purpose of the report was to update the Board on recent developments regarding the Local Skills Improvement Plans (LSIP) and the Local Skills Investment Fund (LSIF).

- i. **Local Skills Improvement Plans (LSIP)** – The Principal outlined that the LSIP was the direct result of the introduction of the Education and Skills Act 2022. In the North-East region, there are three LSIP areas: North of Tyne, North-East and Tees Valley. The North-East LSIP is the area Derwentside College predominantly work within. The LSIP in this area is led by the North-East Automotive Alliance (NEAA), who have now concluded their work and submitted their report to the DfE for approval. A copy of the recommendations made in the report has been received and a summary presentation which outlines the key priority areas. This information is available in the Board Members SharePoint folder. The Principal reported the College's provision is well aligned with the LSIP priority areas. He does not believe the report creates any major issues for the College in terms of the curriculum offer. It was noted the College are now working collaboratively to address the challenges posed, with the other Colleges on the patch through the Local Skills Improvement Fund.
- ii. **Local Skills Investment Fund (LSIF)** - Launched by the DfE in May 2023, the Local Skills Improvement Fund is designed to provide funding to support the delivery of recommendations arising from LSIP. The fund is not designed to deliver all of the recommendations, but around 3 to 5 that can be taken forward by a collaborative group of further education providers. The Principal reported that over the last few weeks, he has been working with other Colleges to develop and submit an expression of interest to the fund. Led by East Durham College this is focussed on the following key areas:
 - Advanced Manufacturing - Technical Training and Digitisation - led by Sunderland College,
 - Essential Digital Skills for Priority Sectors - led by Gateshead College,
 - Health Science - Level 4 Pharmaceutical Production - led by East Durham College,
 - Retrofit and Construction Skills - led by New College Durham (IoT).

Derwentside College will be involved in all areas, excluding Health Science. The Expression of Interest was endorsed by NEAA prior to submission (a key requirement to secure approval) and has now been approved by the DfE. The DfE will provide £100k in mobilisation funding to the collaboration in order to develop the proposals to the next stage, with a deadline of 15 September for the final bid submission.

The majority of funding is capital related and there is very limited revenue funding within the allocation. This has made it very difficult to deliver against some of the priorities of the LSIP, particularly where they are more revenue intensive. Our proposal, therefore, is focused on projects that are more capital intensive and will likely involve the purchase of new equipment to support changes in the curriculum we deliver. Given the number of partners involved, and the potential for private training providers to join the collaboration, funds available to individual organisations are likely to be relatively small.

The Principal paused and invited questions or comments.

- 5.1.2 Mr Howard asked, “in relation to the potential purchase of new equipment to support changes in the curriculum, what type of new equipment will this involve?” In response The Principal reported relevant College managers for the areas of Construction, Digital and Engineering have been asked to consider the requirements for their area and to produce a plan. PLCs, Air Source Heat Pumps and renewable technologies are all under consideration.
- 5.1.3 The Chair asked Mr Howard, in his role as a local employer, for his broad view as to how he thinks the College is meeting Local Skills Needs from the perspective of his business. In response, Mr Howard said that he felt that “*it is as good as it can be.*” The company that he works for has a few College Apprentices, he thinks that the bid could attract more. He went on to say that the next industry to get into would be metal printing, however, the equipment is expensive.
- 5.1.4 The Principal reported that the Curriculum Planning process includes Employer Forums in September and October, which will guide the development of our offer over time. The findings of these Forums will be brought to the Board at the appropriate point(s).
- 5.1.5 Ms Sewell asked The Principal, “in relation to Digital Skills, do you think that you are doing enough in this area?” In response the Principal reported that this was a high priority area and more work was needed to embed digital skills across all areas. The LSIF bid was aiming to address some of this at Levels 1 and 2. The issue of digital skills was not just an issue for Derwentside College and would require change to be made by the Government in terms of qualification design and funding.

The Board received the Executive Summary Report and noted:

- **the content of the report and the key challenges posed within the Local Skills Improvement Plan;**
- **the College’s involvement in the Local Skills Improvement Fund Bid.**

6.2 Legal Case Update

6.2.1 (Redacted – Confidential Minute)

6.3 T-Level Capital Project

- 6.3.1 The Principal introduced his Executive Summary Report. The purpose of the report was to update the Board on the outcome of the College’s bid to the T-Level Capital Fund and to request the Board’s approval to progress with the project. The summary of key points were outlined as follows:
- i. The College submitted a bid under the T-Level Capital Fund (Wave 5) on the 2nd February 2023. Due to the time constraints associated with the bid, the DfE invited Colleges to secure a letter of support from their Chair, in the knowledge that it was unlikely that formal approval could be sought from the Board, due to the tight timescales.
 - ii. The College has been informed that the bid was successful in a letter dated 27th June 2023, which is earlier than originally anticipated. It was noted that this is a superb outcome for the College and its students and will have a

profound impact on the quality of the College estate and facilities, allowing the successful delivery of the new T-Level qualifications.

- iii. The project involves the refurbishment of vocational facilities in Health, Science, Childcare, Digital, Engineering, Construction and the installation of a mezzanine floor above the fabrication and welding workshop to create an increased electrical engineering space. The College has been awarded £1,179,170 of funding in support of the project (which includes VAT).

6.3.2 The Principal outlined the post approval guidance terms and conditions, key terms of the grant funding agreement, including funding requirements, payments, project monitoring, clawback, additional costs, disposal of assets/future change of use, procurement, insurance, timescales and key milestones.

6.3.3 Risks

- i. Continuity of education during the construction phase could be disrupted, leading to complaints and learner withdrawals.
 - Detailed planning is underway to address this challenge. Temporary classrooms will be set up within the existing building and the phasing of works will be considered carefully in order to minimise disruption.
- ii. The College may not be able to accommodate some of the practical elements of the courses it delivers in 2023-24.
 - The phasing of works will be carefully considered in order to minimise shutdown times. In the event this cannot be fully achieved, alternative accommodation will be sought. The costs of temporary accommodation will need to be funded by the College, as these costs are not eligible within the capital grant.
- iii. There is a risk that if the College does not adhere to the terms of the capital grant allocation, some of the funds may not be paid.
 - The project team will oversee adherence to the capital grant terms and conditions and all mandatory requirements.
 - The Director of Finance will work with the Head of Estates and Facilities to ensure all returns are completed in line with DfE requirements.
 - The College professional advisors will ensure adherence to the rules from a building and cost perspective.
- iv. There is a risk that if the College overspends, any shortfall will have to be made up from its own cash reserves.
 - A provision for inflation was made at 2.2% in the original proposal. Capital expenditure costs had stabilised at the time the original costs were produced and should be reasonably accurate.
 - A contingency provision of 5% was included in the proposal.
- v. There is a risk that if the College does not have robust project management arrangements in place, the project will be adversely affected.
 - A Project Team has been established.
 - The Project Team will ensure that adequate resources are in place to meet all of the requirements set out by the DfE.
- vi. There is a risk that the tenders returned to the College have a higher build cost than the project value.

- Grant funding allocation includes around £100k of contingencies that can potentially mitigate some of the risk.
- There is significant value to be gained from this project, and if College investment is required, then the Board will need to determine whether to go ahead, or not. The DfE will not fund an increase in costs.

The Principal paused and invited questions/comments.

- 6.3.4 Mr Howard asked how value engineering would work in the event the project tender is more expensive than the grant awarded. In response the Principal reported that the DfE would require the project to be delivered in its entirety, and therefore, any shortfall would need to be made up by the College.
- 6.3.5 Mr Allsop commented that he would expect to see a Revenue Consequences section in the report. He asked the Principal if this would be made available to the Board in December and if there are any Revenue consequences that might hit the revenue budget later? In response, the Principal reported there are no staffing consequences, there may be energy consequences. A review of the revenue consequences will form part of the finalisation of the project at the December Board meeting.
- 6.3.6 Ms Sewell asked how the Board would gain assurance that public procurement rules and regulations were being adhered to. The Principal assured the Board that professional advisors would ensure that we remain within the rules.
- 6.3.7 Mr Bozeate commented that the timetable is tight and enquired about the risk of overrun. The Principal acknowledged this, stating that there may be the opportunity to accelerate certain aspects of the programme. If the project runs over, then the College would need to make sure that suitable accommodation is available to T-Level learners. He did not see this being an issue but acknowledged the challenge. The Principal will provide an update report to the Board in December.
- 6.3.8 Mr Bozeate asked, “how will the DfE monitor the use of the building over the next 20 years relating to the clawback clause?” The Principal reported that the DfE may conduct usage audits to ensure the facilities are predominantly being used for T-Level delivery. It was noted the 20-year term is a long time, particularly relating to a policy (T-Levels) that may change form in future.
- 6.3.9 The Chair asked “How does the Board gain assurance we are meeting the terms of the Grant? She referred to Section 45 and the commitment to utilise the space for T-Level delivery for the next 20 years. The Principal identified that a more detailed report providing assurance against each of the terms would be provided to the Board at the December meeting, and on an ongoing basis.

The Board approved the signing of the ‘Acceptance Declaration’. This is the agreement to adhere to the Grant Funding Agreement (Terms and Conditions)

The Board noted:

- **The Grant Funding figure of £1,179,170 awarded by the DfE.**
- **They will need to approve the tendered costs prior to the project going ahead. This is proposed to take place at the Corporation Board meeting on the 5th December 2023.**
- **Further work will be progressed in the coming weeks and months, in order to develop the project in more detail.**

- A termly report will be provided to the Corporation Board on the capital project during 2023-24 and a post-completion review will be presented in October 2024.
- The establishment of a Project Team to oversee the implementation of delivery of the capital project. The Project Team will meet on a monthly basis throughout the duration of the project.

Curriculum Quality and Learning

7.1 Accountability Agreement

- 7.1.1 The Deputy Principal reminded the Board that the Accountability Agreement is a newly introduced requirement for colleges for the 23/24 academic year. Going forward this should be produced each year and submitted to the DfE at the end of May.
- 7.1.2 As a reminder for members, the concept of more accountability on colleges first emerged from the Skills for Jobs White Paper in January 2021 and was confirmed in law by the Skills and Post-16 Education Act 2022, and an integral part is to ensure that colleges are offering a curriculum which is relevant to local need and linked to the findings from local skills improvement plans.
- 7.1.3 In April of this year, the DfE updated their guidance on producing Agreements and gave final confirmation of their 7 areas of national priority - hence the Agreement has been written to align with how these priorities are being met.
- 7.1.4 The draft Agreement was presented to the Board in May and an extension was obtained in line with the findings of the North-East LSIP report, because of its publication at the end of May. However, this has not changed anything for the College, but the Agreement was amended to make it current and we have also added the consideration of the Bootcamp initiatives as requested by the Chair.
- 7.1.5 In compiling the Agreement and considering how we meet the National Priorities; the Deputy Principal noted that she feels extremely positive that the College Curriculum is making a major contribution within the North-East and to the priorities outlined within the LSIP.
- 7.1.6 The next steps are to gain Board approval and upload a final copy of the Agreement to DfE by 31 July. We then have three months from September to publish this on our website and this must be done by 1 December 2023.

The Deputy Principal paused and invited questions or comments.

- 7.1.7 Ms Sewell asked the Deputy Principal for clarity regarding the numbers i.e.. in the regions of North-West/East of England, Ms Sewell noted there are only one or two learners. In response the Deputy Principal reported these students are highly likely to be students who have enrolled onto an additional Adult Education qualification to add value to their programme (additionality).
- 7.1.8 The Chair commented she thought the document was a good document and very learner focussed..

The Board received the Executive Summary Report and approved the Accountability Agreement for 2023-24.

The Board noted that:

- all actions identified within the agreement will be incorporated into the new Business and Quality Improvement Plan for 2023-24. This will be presented at the September 2023 Board Meeting for approval once the self-assessment procedures have been concluded.

7.2 Annual Curriculum Plan

- 7.2.1 The Deputy Principal introduced her Executive Summary Report and acknowledged having the opportunity to bring the Annual Curriculum Plan to the Board is incredibly positive as it enables the Senior Team to gain the reflections of the Board on the direction of travel, and an important strategic overview on the product/service offered.
- 7.2.2 As outlined in Section 2 of Appendix 1 (Curriculum Plan Commentary), the College has a new Curriculum Planning Procedure, and this document is contained within the SharePoint area for information. Currently the process is at the very beginning for the development of next year's Curriculum Plan.
- 7.2.3 The Deputy Principal's report was divided into the three areas of the curriculum, and a brief overview of the highlights was provided prior to seeking Board approval for the Plan's implementation.
- 7.2.4 In the area of Apprenticeships (Section 3) and through the work of the Forum, the Standards offered have been reviewed progressively over the last few years to ensure they remain in line with demand and the removal of Catering and Hospitality earlier this year is one such example. Standards have been added to the portfolio in areas of high demand such as within Childcare and Construction. The delivery of Standards is a very different prospect to that of the 80 or so Frameworks the College delivered Pre-Apprenticeship Reform and there's little sense in having significant infrastructure requirements with various End Point Assessment organisations where there is little demand.
- 7.2.5 In the most recent round of Curriculum Planning the opportunity has been taken to remove a further 7 Apprenticeship Standards for 2023-24 that had only 13 apprentices between them. It is proposed to add 2 new Standards in Engineering next year for incredibly robust business reasons.
- 7.2.6 Paragraph 3.4 of the report, showed that 5 of the Standards will receive a funding uplift from next year, including the long-awaited review of the 2 'general' Care Standards. Additionally, the Deputy Principal reported that since the time of writing her report, the Engineering Operative Standard has also received a funding uplift from £6,000 to £7,000. These 6 Standards cover around 400 of our current apprentices.
- 7.2.7 In terms of forecasting, modest growth is predicted of around 5% across all Apprenticeship Standards in 2023-24. A profiled monthly area starts profile has been provided which links up to the financial forecast predictions for next year.
- The Deputy Principal paused and invited questions or comments - none were raised.
- 7.2.8 In the area of Adult Education, (Section 4) it was noted this has taken a significant hit in the last few years, not returning to any level of normality since the pandemic. As a result, time has been invested in preparing for the change required.

Therefore, the mainstream DfE contract will centre around 4 aspects of provision; Sector Based Work Academies, Apprenticeship Additionality, Employer Upskilling and Classroom and Community Learning, with growth planned in Academies and Apprenticeship Additionality. A range of blended learning programmes have been developed to support the employer upskilling model. And significant focus is being placed on marketing the part-time classroom provision for September; a January programme will be rolled-out in the new year.

- 7.2.9 A contract has been secured for the Devolved region of North of Tyne and the College were one of 19 successful bidders from 53 tenders submitted. Processes for the Devolved regions are incredibly bureaucratic, but the team are quite used to this, having worked in the Tees Valley since 2019. The curriculum offer for the devolved regions will centre around Sector Based Work Academies and the plan is to deliver 7 Academies in Tees Valley and 4 in North of Tyne.
- 7.2.10 At the February Board meeting, the Deputy Principal briefed the Board on the declining numbers on the Access to Education programme and on the planned changes; to include more flexible delivery, whilst creating a range of new pathways. The programme was relaunched taking it from 3.5 to 2 days with a range of new pathways - however as anticipated the recovery required has not been swift. As such, the recommendation is a continuation of the programme but reduced from 3 groups to 2 with a proportionate reduction in staffing hours.

The Deputy Principal paused, and invited questions or comments, none were raised.

- 7.2.11 In relation to Full-Time Programmes (Section 5), much success has been seen in the last year with achievement rates 10% above national average, and a first for the College in the securing of in year growth funding. The Deputy Principal thought the key to this, is the continued hard work with local schools, and all of the programme areas have seen good levels of interest at open events this year. The programmes also fit extremely well with priority sectors in the County and with National Priorities.
- 7.2.12 Regarding Level 3 provision, the implementation of T Levels continues at pace, as does the withdrawal of non-T Level provision. There has now been two rounds of 16-19 defunding announcements applying from August 2024. There will be a third round announced in the autumn. The Board are aware of the plan to launch our first T Level in Childcare from September. This is a very niche provision; there are currently 12 applications. Planning activities are already underway with the schools for next year's T Levels where a further 4 areas will be introduced, and this activity will ramp up significantly in the next academic year.

The Deputy Principal paused and invited questions or comments.

- 7.2.13 Ms Dixon asked the Deputy Principal if schools activity was limited to the local area only or further afield? The Deputy Principal confirmed activities will take place with the two local academies, St. Bede's and Wolsingham School. Ms Dixon noted that some students choose travel from Consett to Durham; she suggested promotion to attract students from the Durham area to travel to Consett.
- 7.2.14 Ms Sewell asked the Deputy Principal if any analysis is carried out regarding profitability. She felt that this would be useful for the Board to see, and that there is a debate to be had at board level regarding quality, profitability, and value to the area. In response The Principal reported there is a 50% contribution benchmark that has existed in the sector for years, albeit he was not certain where it came

from. The College has traditionally provided classroom provision at a lower level of contribution, as this provision is critically important to the local area. The Deputy Principal noted Catering is an area with low numbers and this is to be split out (i.e. curriculum and refectory provision). School taster events have been well attended and feedback received has been positive. Taster events will take place next year with Year 10 and 11 and from St. Bede's. The staff Board member commented that parents feel the area of catering is not a secure job platform.

- 7.2.15 The Chair commented that the challenge for the Board is "how we move this dial". She suggested that this could be a task for the next Board Away Day; to bring together performance and profitability via horizon scanning. The Chair asked board members to consider how best to bring the Board to this point between now and then. The Principal, asked the Board to consider how they can become more involved as Governors in the curriculum offer. Mr Howard commented regarding the funding page. He asked what the margin is here. He wanted to know whether it focused on profitability. Brief discussion took place.

The Board received the Executive Summary Report.

The Board noted : -

- **the proposed Apprenticeship Offer of 39 Standards to commence from the 2023-24 academic year;**
- **the proposed outline delivery plans across the varying adult education contracts;**
- **the continuation of the delivery of the current full-time programme provision in the areas identified.**

The Board approved the Curriculum Plan and the associated recommendations for 2023-24.

At 6.55 pm The Chair suggested a brief pause to the proceedings to allow Members to take a short comfort-break. The meeting resumed at 7.05 pm.

8 Finance and Resources

8.1 Management Accounts – Month 10

- 8.1.1 The Executive Director of Finance and Resources introduced his report. The month 10 accounts predict a year end EBITDA surplus position of £160k. This is lower than the planned position of £281k, but it does come after significant difficulties trying to meet the AEB allocation. Both the DfE and Tees Valley AEB provision have been volatile in year with short courses particularly difficult to recruit consistent numbers of learners. The current forecast predicts that the year will end with under delivery of £558k over both AEB streams which will form the basis of a clawback provision in the year end accounts.
- 8.1.2 In mitigation of the AEB under recovery, overall income is less affected as Apprenticeship income and 16-18 income are both forecast to higher than planned due to better than expected recruitment in these areas. Most other sources of income are either on target or overachieving, but these are relatively small compared to the main funding body streams of income.
- 8.1.3 In expenditure, payroll shows a significant underspend, with year-end forecasts being £318k underspent. This has occurred due to a combination of posts being vacant during the year coupled with recruitment sometimes taking longer to find suitable candidates to fill those positions. The payroll underspend also helps to

even out the income under recovery and non-pay pressures that experienced in some areas.

- 8.1.4 Non-Pay continues to see high costs in areas such as energy. College usage of energy is at record lows due to increasing energy efficiency, but despite this, the rise in kwh rates means College bills have almost doubled. End point assessment costs also continue to be high as the catch-up continues on pandemic delayed apprentices completing EPA. Both of these areas have been reviewed, so next years budgeting can be made as accurate as possible.
- 8.1.5 In mitigation, it was noted that not all non-pay areas are overspent, with most budget lines in the administration and teaching costs areas being underbudget, as a result of being more efficient with the resource available. Release of prior year provisions that are no longer required is also helping to offset non-pay overspend as a whole.
- 8.1.6 At month 10 the College had a cash balance of £2.55m. This is likely to fall a little by 31 July as the income profile for classroom-based activity tails off. It is expected to end the year with around £2.3m in cash.
- 8.1.7 The strong year end cash balance is inflated by the overpayment of AEB in year, but this does not particularly affect the 22-23 solvency ratio as it appears on both sides of the equation – both in current assets as cash and current liabilities as clawback. For the year-end financial health grading the College will score a maximum 100 points for gearing as there is no debt, near maximum 90 points for solvency as the cash balance is good, but low points (10 points) for profitability as the EBITDA surplus is less than 2% of turnover – the aim is to improve this in next year's budget setting. Overall, it is forecast to have 200 points which is in the middle of the 'Good' financial health banding.

The Executive Director of Finance paused and invited questions or comments.

- 8.1.8 Mr Howard asked what year-end provisions were released? In response, the Director of Finance reported that they related to the release of provisions against learner support funds, the apprenticeship withdrawal provision and sub-contracting provisions.
- 8.1.9 Mr Bozeate asked in relation to EBITDA, what the increments were in relation to the scoring of financial health. The Director of Finance reported that each percentage point equated to 10 points, up to a maximum of 100 points.

The Board noted the content of the report

8.2 Annual Budget and Financial Plan

- 8.2.1 The Executive Director of Finance reported that the volatility seen in income generation, coupled with cost inflation, means setting a budget is more difficult than ever, but background improvement in the modelling of costs in some of those volatile areas means that he is hopeful that the budget set for next year is realistic and is achievable.
- 8.2.2 The overall budgeted position for 2023/24 is to generate an EBITDA surplus of £315k, to have a year-end cash balance of £1.5m and to have financial health that is rated as Good.

- 8.2.3 In 2023/24 the College expect to earn income of £9.68m (increase of 0.5m on the current year out-turn). All of this increase is through a higher level of funding body income – in particular, last years increase in the number of 16-18 learners, has resulted in an increased allocation, which provides a guaranteed minimum income in-year, regardless of levels of recruitment, which hopefully, is expected to be higher again than in 2022-23.
- 8.2.4 The AEB allocation has decreased on previous years, but in some respects, this can be viewed in positive terms - it will make the AEB target more achievable which will bring an end to the overpayment and clawback cycle in AEB. Apprenticeship income is expected to be at a similar level to 22-23 budgets. Other sources of income that are non-DfE are expected to be stable or see a modest increase in 23-24.
- 8.2.5 Payroll is budgeted to increase to £6.29m, a gain of £200k over the current year budget. The budget represents an ideal scenario where every post is filled for the whole 12 months, which is very unlikely to happen, so some underspend is inevitable. The payroll budget includes a pay award as discussed at the last board meeting (this was an item for discussion later in the meeting). For comparison the FTE in 2023/24 is budgeted at 153, compared to current actual staffing of FTE 147.
- 8.2.6 The two main areas of concern for non-pay expenditure continue to be Exams/EPA and energy. However, after making improvements in the MIS systems, modelling has been created that better supports understanding of timing, volume and ultimately the likely cost of EPA in 23/24.
- 8.2.7 For energy usage, the cost is not expected to rise significantly as it did 12 months ago, so based on the known likely energy usage the likely outcome can be modelled for these costs. It may also be possible that the next 12-month energy contract to be agreed in September '23 could see lower kwh rates than the previous year. Other non-pay, costs are expected to be similar to the current year and not be subject to recent accelerating levels of inflation, but instead be more predictable, even though inflation is still having an effect.
- 8.2.8 The activity level via subcontracting continues to reduce as we are down to one fully active partner in Delta North.
- 8.2.9 Only 3 areas are above the FE benchmark contribution of 50%. A further increase in the number of classroom learners would not require an increase in staffing costs, as class sizes would simply increase. Costs are relatively fixed but an increase in income would significantly improve the contribution ratio.
- 8.2.10 Numbers are falling in Apprenticeships in Health & Social Care; this will be reviewed as an area of provision. Catering & Hospitality shows an overall deficit in contribution, these will be separated out into curriculum and refectory provision.
- 8.2.11 Capital spend in cash terms in 23/24 is expected to be £553k, most of this has already been approved in the form of the Front of House renovations, with an additional £98k of spend (majority IT replacement programme) requiring approval. Cash at 31 July 2023 is expected be £2.3m, and is set to decrease to £1.5m at 31 July 2024. The net drop of £800k is after expenditure of £550k on expected clawback and £553k on capital. With a more modest programme of capital expenditure and nil clawback in the following year 2024/25, cash balances will be rebuilt towards July 2025.

- 8.2.12 Financial Health at July 2024 is predicted to be Good. The current ratio (measuring solvency) is expected to remain similar to the current year, our EBITDA ratio improves to over 3% in 23/24 and without debt the gearing ratio remains at 0% giving maximum points.
- 8.2.13 As well as producing the budget setting, the submission of a College Financial Forecasting Return (CFFR) each year to DfE. This uses actual performance data for the first 9 months of the current 22/23 year plus a forecast of 3 months to 31 July (the return takes a significant amount of time to produce). Forecasts and predictions are then added for 23/24 and 24/25.
- 8.2.14 The CFFR is not an exact mirror image of the budget setting; but gives an overall result that is close and in line with the budget. This is due to including some items that are not included in budget setting – for example movement in LGPS pension values is included in the CFFR which has an impact on Statement of Comprehensive Income. The CFFR also excludes some items (such as most of the Learner Support Bursary income) which is included in budget setting to obtain an accurate picture. A detailed budget is not set two years in advance which the CFFR requires, to meet this, the most likely outcomes for 2024-25 are extrapolated for CFFR purposes.
- 8.2.15 The EBITDA levels, cash balances and financial health outcomes in the CFFR are in line with those in the budget setting. Financial health is good throughout the three-year period being reported. It was noted the commentary report that accompanies the CFFR return is tailored to the questions that DfE asks each year.

The Executive Director of Finance paused and invited questions or comments.

- 8.2.16 Ms Sewell noted that the costs in the Non-pay Executive Summary table (on page 11 of the report) were rolled over from the 2023-24 Budget into the 2024-25 Financial Plan. She questioned this and suggested that it was checked. Ms Sewell commented that for Strategic Planning purposes she is trying to understand the situation for 2024/25. The Principal agreed that this will be checked, and confirmed this should match the CFFR. He went on to say that it may affect the 2024/25 position, but it won't affect what Board members are being asked to approve at the meeting tonight.
- 8.2.17 Mr Allsop noted that not long ago the cash balance was £3m, now the forecast is £1.6m. Mr Allsop asked what level of cash was appropriate for the College to carry going forward. In response the Director of Finance reported July 2024 would be the low point. He reminded the Board of the capital building works that took place in Construction, Hair & Beauty (last year) and at the current Front of House building works. This work had significantly reduced the level of cash being held by the College, to the benefit of our learners.
- 8.2.18 The Chair commented, that at the heart of the discussion is risk appetite, and felt there is a conversation to be had around cash, to ensure the Board is really clear about process planning. The Principal agreed, highlighting that financial health also needed to be considered in planning cash balances into the future.
- 8.2.19 It was noted that changes to the financial year end for the FE have been proposed. However, this has not been well received within the sector. Further updates will be provided to the Board as this situation develops.

The Board noted the content of the report, and approved:

- the Revenue Budget for 2023-24 as outlined in the Executive Summary Report dated 11 July 2023;
- the Capital Budget for 2023-24, incorporating a planned investment of £98k;
- the CFFR return, that will be submitted to the DfE by the end of July 2023 in line with their requirements;
- a review of the financial viability of apprenticeships in Health & Social Care, to be presented at the December Corporation Board meeting.

8.3 ***Pay Award 2023-24***

- 8.3.1 The Director of Human Resources introduced her Executive Summary Report. The purpose of the report was to provide the Board with further relevant information, in order to formally consider the case for making a pay award to staff in the 2023-24 financial year.
- 8.3.2 It was noted the Board were presented with a report at the Board meeting on 23rd May 2023, outlining the Pay Award proposals. At this meeting, The Principal asked the Board to consider, and agree in principle the proposals; following which the proposed pay award would be considered again at the July Board meeting; in order to ensure affordability alongside the proposed budget for 2023-24. The proposals and background remain unchanged since the Principal's last report on this matter, and are line with the budget plans brought to the 11th July Board meeting.

8.3.3 **Key proposals**

- i) ***Pay Award*** – To make a consolidated pay award of 2.5% applicable to all staff excluding those in receipt of the Real Living Wage and the four Senior Post Holders. It was proposed this is implemented from the 1st August 2023. This option will cost £135,070 in 2023-24 and is incorporated into the Annual Budget which was presented alongside the report.
- ii) ***Early Closure on Fridays*** – To close the College at 2pm on Fridays from the 1st August 2023 onwards. This option will involve some contractual changes for support staff to reduce their working week from 37 to 35 hours. Part-time staff impacted by this change will have their hours reduced proportionately in order to maintain the same level of pay. All other staff contracts will remain the same, with the only change being that the College is not open from 2pm onwards on Fridays.
- iii) ***Additional Birthday Holiday*** – To provide all staff with an additional days' holiday (pro-rata for part-time staff) to be used in the month of their birth each year.

The Director of HR paused and invited questions or comments.

- 8.3.4 Mr Allsop asked if consideration had been given to how the Government may react to the early closure on a Friday? In response, The Principal reported other colleges have adopted this model. The model will have no impact on the learner and is expected to increase productivity. In the event that this became a political issue, the College has sufficient flexibility to re-open the building if needed.

No other questions were raised.

The Board received the Executive Summary report.

The Board approved: -

- the consolidated pay award of 2.5% to all staff, excluding those in receipt of the Real Living Wage and the designated Senior Post Holders, to be implemented from the 1st August 2023;
- the proposal to close the College at 2pm on a Friday and the suggested implementation plan (included in Appendix 1 of the report);
- the proposal to award an additional days' holiday to all staff; to be taken in the month of their birthday.

9 Board Matters

9.1 *Terms of Reference – Governance Task and Finish Group*

9.1.1 The Chair presented the Terms of Reference for the Task & Finish Group. The purpose of the Task & Finish Group is to support the Board to formulate a Governance Development Plan. It was noted the group have met once and the sub-group has met a couple of times to develop the plan. This will be an agenda item at the Search & Governance Committee meeting on Monday 17 July. The Governance Development Plan will be an agenda item for the Board meeting in September. The Chair also invited more volunteers from the Board for the Task & Finish Group.

The Board approved the Terms of Reference for the Task & Finish Group.

The Board noted the verbal update provided by the Chair on the activities to date of the Task & Finish Group.

9.2 *Board Business Cycle – 2023-24*

9.2.1 The Principal presented the Board Business Cycle – 2023-24. It was noted the Board Away Day feedback was considered, and an extra Board Meeting has been included into the business cycle. It was noted that the appraisal of Senior Post Holders and The Principal will be dealt with through the Remuneration Committee.

The Principal paused and invited questions or comments.

9.2.2 Ms Sewell requested the Terms of Reference review for the CQS Committee in October to be moved to December.

9.2.3 It was agreed the document will be made available on the Board Members SharePoint site. It was also agreed that the Interim Clerk will issue calendar invites for the Board meetings and Committees in due course.

10 Any Other Items of Urgent Business

10.1 The Chair reported that along with the Director of HR she visited The Clerk recently. For health reasons, it is likely The Clerk will be absent for a few months. The Interim Clerk will continue to provide administrative support to the Board during this period.

10.2 The Chair invited feedback from the Board regarding the meeting. The following comments were made:

- There has been a good flow of contribution and discussion.
- There has been more challenge.
- More participation.

The Chair welcomed this feedback and participation from Members. She thanked The Principal and members of the Executive Team for their excellent papers.

The Meeting closed at 8.00 pm

Board Meetings

Actions Arising

Date of Meeting: 11 July 2023

Minute Ref	Action	Responsible Officer	Status & Deadline
1.2	The Interim Clerk will identify a suitable date for the Farewell Lunch for the previous Vice Chair.	Interim Clerk	31 July 2023
1.4	A student Board Member will be sought.	Deputy Principal	November 2023
4.1.4	Findings of the Employer Forums will be reported to the Board at appropriate points.	Deputy Principal	December 2023
4.2	Principal and Chair will agree settlement and ensure that Board ratify decision at appropriate points.	Principal and Chair	Date TBC (likely November)
4.2 iv	A report will be prepared for the Board regarding the MPM rules including a summary of changes and supporting statement.	Director of Finance	26 September 2023
4.2.8	The Audit Committee will monitor Public Sector and Policy changes and update the Board accordingly.	Director of Finance	November 2023 and ongoing
4.3	Progress Report regarding the T-Level Capital Project including an Investment Appraisal and Revenue consequences.	Principal	5 December 2023
5.1	The Accountability Agreement will be signed by the Chair and made available on the College website	Deputy Principal	Complete The document has been sent to the DfE and is available on the College website
5.2.15	Performance and Profitability will be an item for the next Board Away Day.	Chair and Principal	Date TBA
5.2.15	Board members are to consider how they can be more involved in devising the curriculum offer and feedback to the Principal.	All Board Members	26 September 2023
6.2.16	The Director of Finance will check the table at the top of page 11 of the report to ensure that it matches the CFFR.	Director of Finance	12 July 2023
7.1	Present the draft Governance Development plan.	Chair	26 September 2023
7.2	Ensure the Business Cycle is available in sharepoint.	Interim Clerk	14 July 2023
7.2	Board Meeting and Committee calendar invites will be issued.	Interim Clerk	August 2023

Date of Meeting: 23 May 2023

Minute Ref	Action	Responsible Officer	Status & Deadline
4.2	Principal and Chair will agree settlement and ensure that Board ratify decision at appropriate points	Principal and Chair	<u>Partially Complete</u> Principal & Chair have agreed a settlement, with legal costs still outstanding. Deadline TBC (likely November)
5.2.3	Annual Report on the QIP to be prepared for the Board next year, and regular progress reviews removed from future business agendas, with a shift in focus to KPIs and exception reporting of the QIP.	Principal	<u>Not yet due</u> Deadline - October 2023
6.2.5	GDPR Action Plan Review	Executive Director Finance	<u>Not yet due</u> To be presented at the Audit Committee - November 2023 & Board Meeting December 2023

Date of meeting: 14 February 2023

Minute Ref	Action	Responsible Officer	Status
4.2.3	Board to review the CQS Committee agenda and the Board / Committee annual business cycle for 2023-24 as part of Governance Development Plan.	Principal	<u>TBC</u> Deadline – 11th July Board meeting
4.2.3	The Chair to hold one-to-one meetings with each Board Member	Chair/Clerk	<u>TBC</u> 50% of meetings have now been concluded with further meetings taking place in the coming weeks. Deadline – 11 th July Board meeting.
5.1.5iii	T Level Capital Bid - bring further detail to the Board on managing the logistical issues created by the project , outlining the risks and how they would be mitigated to the July Board meeting	Principal	<u>TBC</u> Deadline – September Board meeting
6.2.9vi	Test the demand for Access to HE programmes and bring a report to Board for discussion on whether or not to continue to deliver Access to HE provision in future.	Deputy Principal	<u>TBC</u> Deadline – 11th July Board meeting
7.1.9	Develop and present a curriculum plan to the Board in July.	Deputy Principal	<u>TBC</u> Deadline – 11th July Board meeting
7.2.8	Look into the possibility of promoting the benefits of working at Derwentside College more	Principal	<u>Complete</u> Website and recruitment activities updated.

	widely, through the College's website and recruitment activities.		
8.1.2	The Board to review progress and develop a new Governance Development Plan at the planned away day in April 2023.	Principal	TBC Deadline – 11th July Board meeting

Date of meeting: 6 December 2022

Minute Ref	Action	Responsible Officer	Status
4.2.9iii	Review risk management policy and approach at Audit Committee.	Director of Finance	TBC Deadline – 11th July Board meeting

Date of meeting: 19 July 2022

Minute Ref	Action	Responsible Officer	Status
3.3.1ii	Pilot a scheme of workshops to be held before each of the next three Board meetings.	Principal/Chair	Deferred To be considered as part of the Governance Development Plan for 2023-24.
5.1.8	Board to agree a Level 3 curriculum plan following the outcome of the government's Qualification Review – the Board had received a report on the introduction and development of T Levels. Proposals for the Level 3 offering will be presented to the Board in July.	Deputy Principal	TBC Deadline – 11th July Board meeting