



HUDDERSFIELD NEW COLLEGE FURTHER EDUCATION CORPORATION

Finance & Resources Committee held on Wednesday 26th February 2020 from 5.00pm.

Confirmed Confidential Minutes

Present: Mr J Dawson, Ms A Needham, Mr P Cropper, Ms J Pryce, Ms T Wright
(attendance: 83%)

In attendance: Ms L Summers, Mr M Smith-Connor, Mr J Flynn, Ms H Foster and Mr G Symms.

Clerk: Mrs C Coupland

1. Apologies for Absence/ Declaration of Interest

An apology for absence was submitted by Ms A Williams due to a personal emergency.

There were no declarations of interest to record.

Ms Needham was welcomed to her first F&R Committee meeting. Mr Flynn and Ms Summers were also welcomed to the meeting, it was noted that Mr Flynn will be joining the College on 23rd March 2020 as the newly *appointed* Finance Director. Ms Summers (Chair of the Corporation) had joined the committee meeting this evening to specifically receive the proposed returns for the Integrated Financial Model for Colleges in advance of the Corporation meeting being held on 28th February 2020. Time was taken for introductions to be made.

2. Minutes from Meeting held on 26th November 2019

Resolved:

- That the minutes be accepted as a correct record, subject to the amendment of one minor typographical error.

3. Matters arising

Principals Report :

Ms Coupland advised the committee that a further progress update on the college's action plan will be presented to the Audit Committee at its next meeting. The committee was however reminded that the Anti-Fraud, Bribery and Corruption policy and log were now in use. Members were also informed that the internal audit reports prepared for the Audit Committee confirm that all follow up action points from previous financial audits had been implemented by the college and that robust testing, undertaken by the college's internal auditors, of the financial procedures for ordering, receipts and payments had found no errors. The committee welcomed the update and were satisfied for the Audit Committee to continue to resume responsibility for the monitoring of this action plan.

Estates:

4. Capital Projects – update

Mr Smith-Connor reminded the committee that in the summer 2019, the main capital project was to redevelop the Performing Arts space to create one hi-tech theatre space, which is a modern, industry-standard facility.

Mr Smith-Connor advised members that property developments going forward are expected to be kept to a minimum until there is more certainty over future funding levels. Essential development for 2020-21 is however the development of 4 classrooms and social space, from existing space, to house the projected increase in student numbers. Mr Smith-Connor advised members that college staff are in consultation with architects; technical drawings and costings are due imminently. Works will be scheduled to be completed over Summer 2020 and £172K in total has been costed to the 2020-21 budget. It was noted that should estimate costs exceed budget allocation elements of the projects will be undertaken in priority order.

Resolved:

That the update be received.

5. Planned Maintenance Programme Review

The committee welcomed an update on the Estates extraordinary request for additional finances to undertake the necessary repairs. The committee was satisfied with the repairs undertaken to date, variance in costings were also considered alongside progress updates.

Mr Smith-Connor advised members that the college was fully compliant with all health and safety requirements to satisfy insurance covenants where applicable. Members however concentrated on the need for all pressing emergency works to be undertaken noting that phase 2 of the electrical testing was not to be completed until 7th April effectively delaying the date by which the whole college could secure its electrical compliant certificate. Mr Smith-Connor explained that the testing regime (including fault fixing and inspection of fire exit emergency lights) requires full electrical shut down, the decision was therefore taken to address peripheral buildings (Media and Arts Building, New Theatre, Boilerhouse, Sports Building, Sports Barn, Modular Building, Changing rooms) during the February half term with the testing of the main building scheduled for the first week of the Easter holidays. Members expressed their concern with the planned date for testing to be completed; alternative assurance was therefore asked of the senior leaders to provide governors with confidence that there were no known areas at risk of electrical faults in the interim period. Ms Thomas advised the committee that fire assessments had been undertaken within the last 2 years of high risk areas within the main building including the Server rooms and all areas were assessed as safe. Members were advised that recommended practice is for areas to be fire assessed every 5 years. The committee reported to be satisfied by this response as a holding position.

Mr Smith-Connor advised members that a Condition Improvement Fund (CIF) bid for fire safety was submitted by the college. Notification of the outcome will not be known until spring 2020. Mr Smith-Connor explained that due to complications regarding VAT on the bid (VAT had to be added at the last minute as the property consultants supporting the college with the bid had not included it in their draft submission) the College is now much less optimistic about the chances of the bid being successful. If the bid is rejected the committee were advised that senior leaders had costed a contingency plan to ensure that all the compliance-critical fire safety work is completed in time for the start of the 2020 academic year.

The committee was keen to ascertain realistic timelines for essential works to be completed to ensure full fire safety compliance namely to repair or replace the existing fire doors in the sports barn which are reported to no longer close properly due to wear and tear. Members reflected openly that the decision to draw down the monies from reserves was to address the priority items raised by the senior leadership team. Given the significant health & safety risk, and the possible adverse impact on the student experience; the committee insisted that work to the fire doors in the sports barn is to be completed as a matter of priority and not dependent on the knowing the outcome of the CIF bid. Mr Smith-Connor agreed.

Mr Smith Connor also informed the committee that the college did not submit a CIF bid for leaking roofs as the roof survey concluded that the ingress of water is being caused by issues with the roof flashing (i.e. not by the flat roofs themselves); this survey effectively ruled out the possibility of being awarded CIF funds. The Director of Estates is however using the survey report findings as a basis for addressing the flashing issues moving forwards.

Resolved:

- **That the report be received**
- **That the fire doors in the sports barn be repaired or replaced immediately.**

Health & Safety:

6. Health and Safety Report

Mr Symms presented the college's H&S report for period Dec 2019 – February 2020.

The Governors noted that the Director of Estates manages the College's Compliance Calendar for the site to ensure that all statutory requirements are met. Health and Safety committee meetings take place twice a term. Safety, Fire Marshall and First Aid meetings also occur on a termly basis. Mr Symms also explained that he and the Caretakers continue to undertake monthly in house Health and Safety audits and weekly Campus walkabouts. A dedicated compliance check sheet is also completed within the monthly meetings to ensure compliance. Any matters arising are tasked to individuals with agreed timelines for completion. The committee welcomed this update, members again stressed at this point for transparency in practice and audit findings in future to ensure that campus maintenance and developments is robust and accurate to prevent any further extraordinary requests being made.

Mr Symms advised the committee that concerns have been raised about the number of cars parked in the car parks throughout the College day. Cars have been parking in restricted areas and obstructing evacuation / pedestrian routes. An action plan was implemented in December which has alleviated the situation and Estates will continue to monitor car parking. Furthermore, concerns have been raised regarding fresh air supply / ventilation and noise levels in the workshop. Following further investigation, it was determined that the subjected level of noise was not deemed to pose as a risk especially given the exposure time limits. Ear plugs have however been provided as personal protective equipment and users of the area reminded of safe working limits for the relevant machines. In addition all staff have been reminded not to prop fire doors. The College continues to invest in legal devices to hold fire doors open (further devices were fitted during February half term); the Estates team continue to check fire door compliance monthly to ensure compliance.

Mr Symms explained that there have been no reportable incidents in this period. The committee noted the increase in general overall accidents reported; Mr Symms explained that this increase reflected the rigorous reporting systems in place. Mr Symms explained that he reviews all First Aid incidents and meets with heads of departments for areas to better understand any identified trends as well as to offer additional support if required. Members of the committee asked for a breakdown of offsite/other incidents in future reports to support the identification of any trends in data which may highlight safeguarding concerns that the college may need to respond to in particular for treatment of repeated injuries sustained at home.

Mr Symms advised the committee that he has reviewed all Main Service Contracts to ensure value for money and secure a full suite of services to adequately cover the college. Details of which were provided within the report as requested by the committee at its last meeting.

It was noted that the college's Health and Safety policy has been reviewed and updated, it is currently awaiting approval by the Senior Leadership Team; following this it will be presented to F&R.

Mr Smith-Connor advised the committee that in response to the self isolation of a small number of staff and students from Salendine Nook High School (who had travelled through northern Italy during a school trip), Public Health England advice has been shared with Staff, Students and Parents (via emails, website and social media) on how to prevent the spread of respiratory viruses, including Coronavirus (Covid19). Furthermore, the college has also determined a process for dealing with students/parents/carers who report symptoms or have recently returned from traveling to an 'at risk' area. The committee were assured that the college continues to monitor Public Health England's advice and will keep key stakeholders informed of any significant changes.

Resolved:

- **That the report be received**
- **For future H&S reports to include breakdown data for all offsite/other incidents**

Finance:

7. Latest Management Accounts - January 2020

Ms Foster presented the management accounts for January 2020

The Committee was advised that all current targets are expected to be met by July 2020, with student enrolment exceeding the 2456 funded number (day 42 was 2530). The latest forecast cash position for July 2020 is £2,166k, £43k above budget.

The Committee was also informed that the Income and Expenditure account shows that the year-end operating surplus is expected to be on target at £7,519 and will continue to be reviewed monthly in light of extra transport and exam costs incurred in previous years.

Members were advised that student recruitment has gone exceptionally well. Deadline for applications was 15th February 2020. In addition, Ms Foster confirmed that the number of level 5 students remains at 7 students below forecast, with an estimated reduction in income of £33k. The contingency budgets have been reviewed to accommodate this.

Ms Foster also briefed the committee on all other funding received for 2019/20 namely Capacity for Delivery of Work placements, Basic Maths Premium, Erasmus Foreign Exchange Funding. It was noted that a further amount of £50k has been agreed and invoiced to the Local Authorities for High Needs Students Tier 3. The additional monies has been secured by the college on providing updated comprehensive analysis of the actual costs of the staffing and resources required to support the delivery of the curriculum for high need students.

Ms Foster explained to the committee that one item of the deferred grant release has been fully written off and therefore the release in 2019-20 is reduced by £17.2k. Furthermore, members were notified that the Sports Co-Ordinator (Project Income) has now left and the college is no longer able to claim the £10.8k as originally forecasted. Ms Foster confirmed that this has been offset against salary costs. The Committee was also advised that restructuring costs are currently expected to be £17k higher than that forecast. Again this has been allowed for by cutting other budgets.

The committee was reminded that the pay award contingency is 2.0% (cost £140k) for all staff from 1 September for 2019-20; Bids from unions continue to make the arguments for parity with pay rates for school teachers, particularly at the top of the main scale. But it remains unlikely that independent Sixth Form Colleges will receive any government funding to support teacher pay awards, as suggested for schools and academies. The SFCA is continuing to pursue this.

The extra 16-18 students have been able to be staffed within the agreed staffing budget of £8640k. This includes the 2.0% pay award assumption and £104k absence contingency.

Ms Foster advised the committee that the draft forecast 2020-22 has been modelled ready for submission to ESFA (the integrated financial model for colleges) by 28th February 2020, based on day 42 student numbers. The IFMC is to be considered this evening, however Ms Foster explained that a further modelling exercise will be carried out in the spring once there is more

certainty over funding allocations. The Senior Leadership Team envisage that the budget for 2020-21 will be again approved at the summer term meetings of the F&R and corporation. Ms Foster explained however that based on the current management accounts forecast, the financial health is still expected to be maintained at just in the 'Outstanding' category to July 2020. However, there are a number of funding and cost issues to consider in the next few years which will impact on Financial Health.

Ms Foster asked members to note that the new energy supplier has provided incorrect invoices to date (VAT charged at 20% rather than the correct figure of 5%). Members acknowledged that the college continues to pursue them for corrected versions and an update will be provided at the next committee meeting.

The Clerk advised the committee that the management accounts for November 2019 and December 2019 were now available on Moodle. The committee asked the Senior Leadership Team for more timely submission of the monthly management accounts as per the corporation's financial regulations to enable Governors to regularly monitor the monthly cashflow position.

Resolved:

- **That the report be received.**
- **For management accounts to be completed and distributed to governors as per the corporation's financial regulations.**

8. Funding Allocation 2020/21

Ms Thomas advised the committee that the ESFA Allocation Summary for 2020-21 had been received by the college this afternoon, full analysis and breakdown of funding allocations had therefore not been completed but will be made available to the committee at its next meeting. Ms Thomas stated that the overall allocation summary was slightly more than anticipated and subsequently accounted for in the ESFA forecast returns.

Resolved:

- **That the verbal update be received**
- **For the allocation summary to be formally presented to the committee at its next meeting.**

9. Integrated Financial Model for Colleges (IFMC) return

The executive summary advised the committee that the ESFA's college financial planning handbook 2019 (version 2); Financial planning requirements for sixth form and further education colleges (November 2019) states that College corporations in existence as at 28 February 2020 must submit the following documents to ESFA by 28 February 2020:

- A) 4-year Excel Integrated Financial Model for Colleges (IFMC) return, which includes budget and cash flow as follows:
 - o outturn – year ending 31 July 2019
 - o budget – year ending 31 July 2020, broken down into
 - actuals – period 1 August 2019 to 30 November 2019
 - forecast – period 1 December 2019 to 31 July 2020
 - o forecast – year ending 31 July 2021
 - o forecast – year ending 31 July 2022

- B) A detailed commentary which explains the assumptions upon which the IFMC has been completed must also be submitted to the ESFA by 28 February 2020. The comprehensive supporting commentary is to include:
 - a summary of the corporation's strategic objectives
 - a description of how the IFM is consistent with the corporation's strategic objectives
 - explanations for significant year-on-year movements in the statement of comprehensive income and balance sheet
 - explanations for significant variances between the estimated outturn for the current year and the original budget
 - a summary of how risks to cash flow insolvency have been managed and mitigated
 - o the contribution made by all areas of material activity, including corporation subsidiaries and joint ventures, where applicable
 - o how the corporation plans to service its debt and finance its capital projects
 - o sufficient and relevant evidence to support any request to moderate a financial health autograde of 'inadequate'

The College Financial Handbook also states that the Accounting officer is to confirm that the supporting commentary has been prepared with due regard to the ESFA checklist.

The members were presented the forecast figures and the proposed commentary on the salient features including a sensitivity analysis. Ms Thomas and Ms Foster explained that ss always, the main driver of the financial plan is student numbers.

Members took this opportunity to scrutinise the commentary on the salient features, it was agreed that the commentary provided detailed explanations of the key assumptions underpinning the financial plan to enable Governors and the Senior Leadership Team to take an informed view about the reasonableness of forecasts prior to submission to ESFA. It was noted that the proposed budget met the existing financial parameters of maintaining £2.1million cash and expenditure to not exceed income for any year. The committee also acknowledged that the proposed budget maintained the financial health at Good or

outstanding category for the whole period. Previously a financial parameter had been set to maintain outstanding financial health only but the committee had recognised at its meeting in March 2019 that this specific parameter needed to remain under review, especially if financial modelling demonstrates that Outstanding rating is not sustainable for the financial forecast period, which has now been the case. All present therefore agreed it appropriate, given the outcome of the prudent financial modelling undertaken, to now extend the parameter to include good financial health.

It was accepted that the financial commentary continues to be set to the ESFAs Financial Planning Checklist given that the template of the report had not been changed from previous submissions and the checklist, as confirmed by the clerk, had also remained the same form previous years. Members acknowledged however that the College Financial Handbook stated that the checklist should be shared with the governing body to provide assurance that the senior leadership team had considered all relevant matters. The committee therefore asked for the completed checklist to be received by the Corporation when considering the committee's recommended returns.

Post deliberations, the Committee endorsed the major assumptions underlying the formulation of the financial forecast. The Committee acknowledged that the FE sector continues to face a number of known and anticipated challenges; however a chief area of concern is that the IFMC has had to be completed and submitted to the committee for approval before key information is known e.g. the ESFA Funding Allocations have only just been received and that the Government spending review announcements are not to be released until March 2020, therefore making it difficult to formally approve the budget for 2020-21 and the forecast for the following year. The committee therefore agreed it pragmatic and sensible to adopt the approach that the information included in this version of the model should be regarded as draft. The usual budget preparation process shall continue throughout April and May with a view to re-presenting the budget and the forecast again to the F&R Committee in June 2020 and to the Board for final approval in July 2020.

Resolved:

- **For the corporation to receive the completed checklist to provide assurance that the senior leadership team have considered all relevant matters, as determined by the ESFA, throughout the commentary.**
- **To recommend for approval the financial forecast and commentary 2019-2022 (IFMC return)**
- **To recommend that the IFMC return to be submitted to the ESFA on 28-02-20**

10. Board Assurance Framework reviews 2019/20:

- i) **Poor financial management and control**
- ii) **Inaccurate student numbers and funding claim**

After a full discussion the Committee reported to be satisfied that the actions being taken by the college to mitigate against the risks continue to be robust and effective, as demonstrated by the comprehensive assurance report. Members were also confident in the different levels of assurances identified. The committee therefore agreed that an overall green assurance level shall be re-assigned to each of the risks.

Resolved:

- **To assign Green overall assurance to each risk**
- **For the Clerk to update the Master BAF**

11. Any other Business.

- **ESFA Letter and Dashboard (received November 2019)**

The Committee acknowledged receipt of the letter from Adrian Brook, Deputy Director Assurance for ESFA. The letter confirms that following a review of the college's financial plan for 2018/19 to 2020/21 and associated information submitted, the ESFA concludes that the college's underlying financial health is Outstanding for 2018/19 (the latest outturn forecast year), and Outstanding for 2019/20 (the current budget year).

The committee also considered the college financial dashboard information compiled by the ESFA which incorporates various key performance indicators and measures. Members asked for the Clerk to share the dashboard to all governors.

Resolved:

- **That the letter be received**
- **For the Dashboard to be shared with all governor.**

- **Insolvency Regime – ESFA Update January 2020.**

The Clerk advised the committee that the review of the Insolvency Regime was undertaken 24th January 2020. The revised guidance has added information on:

- college oversight regime,
- Integrated Finance Model for Colleges,
- financial dashboard

- updated some links and also made minor updates to technical text on insolvency.

The Clerk reminded the committee that all governors need to continue to ensure that the college's executive team has a sharp focus on:

- robust and comprehensive cash flow forecasting – where appropriate reviewed externally/independently; and
- cash reserves being sustainably maintained throughout the year (not just at year-end)

All governors should also collectively ensure:

- regular monitoring and review of monthly cash flow, overdraft usage and loan covenant compliance (with good finance skills and an effective finance committee in place)
- adequate risk assessment and sensitising of key cash variables, in particular capital receipts and funding clawback
- that they, the Principal and Finance Director recognise and understand the implications of the insolvency regime and all stages of intervention so that they can work most effectively with the ESFA and the FE Commissioner (FEC) and his team

Resolved:

- **That the letter be received**
- **For the updated Insolvency Regime (Jan 2020) to be shared with all governor.**

12. Learner Impact Reflection

The impact of discussions and scrutiny of the committees work in improving the outcomes and experience of all learners was considered and the following agreed:

- **Scrutiny of management accounts and management information systems ensures the sustained financial viability of the college.**
- **The committee continues to focus, scrutinise, challenge and support the college leadership team in sustaining and improving (where necessary) campus compliance with health and safety requirements.**
- **The F&R Committee has fulfilled its delegated responsibilities.**
- **Maintaining high performance amongst Governors enables the Corporation to continue to provide strategic leadership and accountability.**
- **A high performing corporation is able to support the college to achieve its aims and objectives and secure positive outcomes for students.**
- **Assurance received that the college has an adequate and effective framework for governance, risk management and control**
- **Ability to financially support all elements of the Strategic plan for the College**

13. Determination of confidentiality

It was determined that the supporting papers for agenda item 10 are to be determined as confidential.

14. Date of next meeting: 22nd June 2020 at 5pm