



HUDDERSFIELD NEW COLLEGE FURTHER EDUCATION CORPORATION

Finance & Resources Committee held on Monday 4th October 2021 from 5.00pm via Teams.

Unconfirmed Minutes

Present: Mr J Dawson (Chair), Ms Williams, Mr D Watson, Mr P Cropper and Mr T Hosker (100% attendance)

In attendance: Mr J Flynn, Ms J Thomas and Mr M Smith-Connor

Clerk: Mrs C Coupland

1. Apologies for Absence/ Declaration of Interest

There were no apologies received.

There were no declarations of interest recorded.

2. Minutes from Meeting held on 21st June 2021

Resolved:

- That the minutes be accepted as a correct record

3. Matters arising

There were no matters arising not included within the agenda.

Estates:

4. Capital Projects – verbal update

Ms Thomas appraised members of the campus improvements and developments undertaken to date completed on time and on budget, as per the planned property strategy approved by the committee and the Corporation. This included:

- o Social science staff room/839 expansion
- o IT Services extension
- o Creation of an Early Years staff office and new kitchen for Early Years and Pastoral teams
- o Redesign current Pastoral team kitchen into a Student Wellbeing Officer office
- o Cleaners office refit
- o Exams office refit
- o SLT office reallocation
- o Work experience and Careers moved into one area

Ms Thomas advised the committee that the extension to Costa Café is going ahead with a revised completion date of December 2021 and with £70k moved from the Major extension project to cover heightened costs (leaving £1,130 000 – rather than £1,200 000 for the expansion build within the overall budget approved by the Corporation for the property strategy).

The committee was reminded that the extension to the Costa Café was to increase student social space and transform the current space into a light-filled, attractive area. The original budget for this project was £300k with completion scheduled for the end of October 2021. Following delays with planning permission, the construction industry facing a staffing shortage, and a massive increase in base material cost; the timeframe for completion was extended to December 2021 and the budget increased to £370k. The committee noted this additional spend is manageable within this year's financial budgets but reduces the building extension budget.

Ms Thomas went on to explain that the Senior Leadership Team are proposing to the committee a 3 month delay to the major extension build to factor in a changing external landscape. Namely to allow time for the college to :

- review the impact T levels may have on our curriculum offer and accommodation, as T levels are over 150 guided learning hours (GLH) more than BTEC Extended Diplomas.
- receive outcome of the capital expansion fund bid, expected to be received during the Autumn Term 2021.
- decide whether the tutorial delivery should stay 60%/40% onsite delivery
- consider impact of the pending Comprehensive Spending Review

The Committee agreed it sensible to delay the major extension build recognising that extra time was needed to enable the SLT to revise its options and costings accordingly dependent upon outcomes of the bid and internal reviews on curriculum offer and tutorial delivery – all which impact the size, design and functionality of the extension project. It was noted that a further committee meeting may therefore be needed to enable timely feedback to be received from SLT.

The committee raised a procedural point on the transferring of funds between the two separate expansion projects. Although in support of SLT taking this action to ensure completion of the Costa Café expansion, clarity was sought from the Clerk as the delegated authority of capital spending. The Clerk's initial response was that the overall funding for the property strategy was approved by the corporation, rather than earmarking individual budgets to different projects, therefore in her view the current financial regulations and scheme of delegation had been complied with. However, the clerk asked for time to review the colleges financial regulations and scheme of delegation, to better clarify governance and operational roles and responsibilities regarding budget allocations and spending authorities going forward, with a view to reporting back to the committee any recommendations at a later meeting. The committee agreed to this, with the understanding that any pressing matters, regarding compliance, raised by this review is to be reported to the Chair of the Committee immediately.

Resolved:

- **That the update be received**
- **That the committee agrees to the 3 month delay (to end of autumn term) for the major extension build to allow for SLT to receive outcomes of capital expansion fund bid, comprehensive spending review and further internal reviews on curriculum offer and tutorial delivery.**
- **For the clerk to organise , if necessary, an additional committee meeting to allow for SLT feedback on the how to progress with the major extension build.**
- **For the clerk to review and recommend changes to the college's financial regulations and scheme of delegation to better clarify governance and operational roles and responsibilities regarding budget allocations and spending authorities going forward.**

Health & Safety:

5. Health and Safety Year End Report 2020/21

Ms Thomas presented the H&S report to the committee on Mr Symm's and Mr Ellis' behalf. The Committee noted that the report is in the revised format and is a summary of issues that have been considered by the College Health & Safety Committee during the academic year.

Members attention was first drawn to the updates section advising of the following:

- A two day disability access audit of the College campus was undertaken in March 2021 by Direct Access. The results returned indicated that the college was legally compliant in terms of the facilities it offers. A corresponding report was provided with suggestions on how to make the College campus more accessible for disabled users. No recommendations were immediate and currently 32 recommendations have been actioned and are now in place.
- A fire risk assessment was undertaken in March 2021. Recommendations were received to update some signage across College. The signage was installed in April 2021.
- A Legionella risk assessment was undertaken in March 2021. The report indicated a number of pipework dead legs for removal and cold water storage tanks that needed cleaning and re-lining. These works were undertaken in April 2021.
- An asbestos re-inspection is scheduled to be undertaken at College over the October half term break.
- The Premises Asbestos Management Plan (PAMP) was re-written in May 2021 to provide a more comprehensive overview of how the College manages Asbestos, an updated list of Dutyholders and sections on asbestos related training and records of asbestos related works

The report clearly recorded the high level compliance testing and standard testing and stated that the fire evacuation drill was last completed for all buildings in May 2021. The committee noted that there have been no reportable incidents in the period April 2021 to September 2021 and that from April 2021 to September 2021 there had been no referrals from the First Aid team to the safeguarding team.

Ms Thomas explained that the accident log had been revised to separate the two categories recorded under the area of 'behaviour' as asked for by the committee at the last review. The committee welcomed the inclusion of data for the start of the academic term (up to an including 20th September point of which the report was written). Early signs indicate that there will be an increase in the number of accidents for the 2021/2022 academic year. This is presumed to be due to the lifting of Covid-19 restrictions and having a greater number of people on the college campus.

Those present were of the opinion that the management information received in this report provided assurance to the Committee that the college is taking relevant action to comply with specific legislation and in line with best practice to ensure that the college continues to provide a safe high quality learning environment.

Resolved:

- **That the report be received**

Finance:

6. Up-date on Year End Accounts: Outturn 31st July 2021

Mr Flynn explained that the Management Accounts with commentary (Period 12) were provided to Governors via Moodle on 14th August, no questions were received at that point. A small number of transactions were however made after this including year-end adjustments (additional accruals, prepayments) along with the accounting entries related to the annual actuarial valuation of the West Yorkshire Pension Fund (WYPF). The actuarial valuation is typically received some time after the management accounts have been prepared.

Mr Flynn presented the final management accounts for July 2021, the final month of the 2020/21 financial year. He confirmed that the Statutory Accounts for the College, including the actuarial valuation for the WYPF, are being prepared based on this set of accounts. The annual audit of accounts will be conducted remotely by Wylie & Bisset for the 2020-21 financial year. The finance team are in the process of preparing, scanning and up-loading working papers, bank statements and other information to the Auditor portal with the deadline for this being Monday 4th October. Audit testing will commence remotely after this.

Mr Flynn reminded those present that once the audit of accounts is complete and draft Annual Report and Statement of Accounts is available this would be considered by the Finance & Audit Committees before presentation to the corporation for approval and sign off by Wylie Bissett, Chair of the Corporation and Principal.

It was noted that the college is in a strong financial position overall; an overall operating surplus of £0.735m compared to a budgeted surplus of £0.210m after WYPF costs. There is a strong cash position as at 31st July 2021 of £4.245m with an overall decrease in the WYPF pension liability of £1.051m. The actual cash position therefore reflects an improvement on the forecasted cash position at 31st July 202 which was £4.061m. Mr Flynn explained in his report that 'Cash' includes cash in hand, the main current account, short term investments, the foreign currency account and other college bank accounts. The committee as advised that expenditure continues to be significantly lower than budget because of the impact of Covid and periods of college closure.

Time was taken to consider the cost implications for the college given that energy prices are increasing and the college has now fully reopened for the foreseeable future. Mr Flynn advised the committee that the college was 2 years into a 3-year deal. The contract is due to expire by October 2022. Mr Flynn explained that the college will again seek professional advice and support from an energy consultant to secure the best deal going forward. The committee was satisfied with this.

Mr Flynn confirmed that the financial health score remains Outstanding, recalculated after WYPF charges.

The committee agreed that the revised presentation of the commentary supporting the management accounts is very welcomed for it incorporates the relevant information in a user friendly manner making governor oversight and monitoring more effective.

Resolved:

- **That the management accounts be received.**

7. Management Accounts August 2021

Mr Flynn presented the management accounts for August 2021.

The committee was advised that the college remains in a strong overall financial position compared to budget for the period for the following reasons:

- An overall operating surplus of £201k compared to a budgeted surplus of £15k
- An underspend against staff costs of 92k compared to budget;
- An overspend against other costs of £18k (includes bursary);
- An overall expectation that the budgeted surplus of £179k will be delivered by 31st July 2022

The committee noted that the cash held as at 31st August was £5.272m; an improvement of £0.577m against the forecast reflecting the current ESFA funding profile and the healthy brought forward cash position in July.

The Committee was advised that all KPIs and current targets are being met, with student recruitment forecast being above the 2,779 funded number. The college had a financial surplus at 31st July 2021 of £1.439m before pensions adjustments. The surplus is ring-fenced and has been carried forward to support capital investment in buildings and infrastructure that will be made 2021-22 and 2022-23.

Mr Flynn explained that income is higher than budget by £114k. this is made up of the bursary funds underspend carried forward from 2020/21 (£46k), Devolved Formula Capital (DFC) grant (£56k) for the year along with additional funding received in August (£8k) for Covid testing and £4k of student related income.

The committee was informed that teaching staff cost currently show an underspend of £60k and Operational staff costs show an overall underspend of £32k. These underspends however will be taken up by pay increases linked to incremental progression and the cost of pay awards (the level of which have yet to be determined).

Mr Flynn drew the committee's attention to cost issues to consider in the current year (2021/22) including the recently announced National Insurance increase of 1.25k% for all employers from April 2022. The estimated cost for the college as an employer is in the region of £55k. this is an unforeseen cost for 2021-22 that will need to be accounted for in the financial forecasts.

Cost issues to consider from 2022/23 onwards that will impact on the College's Financial Health going forward include:

- Potential loss of ESFA grants including the Teachers' Pension Grant (£332k) which is in place until July 2022.
- 16-19 Tuition Fund (£157k) which is in place for 2021/22 but now has to be claimed (rather than being paid automatically) and is subject to strict usage criteria
- Possible changes to the programme funding methodology for 16-19 providers in light of the national growth in student numbers.

Cost pressures will also include:

- Implementation of unfunded pay awards
- Increases in operating costs Gas and Electricity costs
- Increase in transport costs given increase in student numbers
- Increase in Exam Fee costs given increase in student numbers

Time was taken to deliberate the meaningfulness of receiving the August management accounts (month 1) given that actual under / over spends for Non-Paye expenditure, incurred from start of term, cannot be accounted for. It was agreed that future meetings were to again be scheduled to receive September accounts (month 2) not August. It was noted that this meeting had again been held earlier than usual to accommodate the external audit schedule. The audit schedule going forward will however be pushed back given that no early financial returns are now required by the ESFA in the spring term.

This prompted consideration of the difficulties for Mr Flynn in preparing August management accounts at the same time as Year End Accounts. It was recognised that the College's Financial Regulations makes clear that all monthly management accounts are to be reviewed by the Senior Leadership Team (SLT) during the second week of the following month, and then shared with the Governing Body via publication on Moodle. The committee agreed that there is merit however in considering whether August management accounts should be exempt from this requirement given its limited use in understanding actual spending. Staffing time can then also be dedicated to the yearend accounts given that they are prepared internally rather than outsourced. The clerk was asked to consider this point whilst undertaking the review of the Financial Regulations.

Resolved:

- **That the report be received.**
- **For the review of the financial regulations to consider removing the preparation of August management accounts to allow time to be spent on the year end accounts.**

8. Key Financial Parameters and Assumptions.

Mr Flynn reminded the committee that a range of financial parameters and assumptions were made as part of the budget setting process for 2021/22 and for use when preparing financial forecasts for 2022/23. These assumptions were reported to the ESFA as part of the commentary submitted alongside the CFFR return in July 2021.

Mr Flynn explained that actual and expected changes to these assumptions are being monitored and factored in to forecasts prepared to 31st July 2022 and when setting the budget for 2022/23. All assumptions are to again be revisited and updated on the tracker once the outcome of the next Comprehensive Spending Review (CSR) is known. All present agreed that it was useful for the committee to receive this report at each meeting to inform and guide decision making on financial planning. It was also agreed pertinent for the college to continue to monitor the impact of inflationary increase during 2021/22 given that the assumption was that price inflation (a measured by the Consumers Price Index or CPI) would be 1% in 2021/22; however, inflation has actually rose to 3.2% in August 2021 and the Bank of England outlook I for the CPI to rise to just over 4% by March 2022.

It was also determined appropriate to include energy costs on the tracker, given earlier conversations, on expected price hikes.

Resolved:

- **That the report be received**
- **For 'energy costs' to be listed on the tracker.**
- **For the tracker to be presented to the committee at each meeting for review.**

9. KPI Finance Dashboard

Mr Flynn reminded the Committee that back in March 2021 the Corporation agreed to the financial performance indicators by building upon existing internal KPIS, as per the strategic plan, and integrating recommended FE commissioner measures.

Progress against the performance indicators are internally monitored and reported to the committee and the corporation via the commentary of the monthly management accounts.

It had been agreed however that it would be useful for there to be a pictorial display of information to help all governors, at a glance, track actual progress against performance/forecasts.

Time was taken by the committee to consider the suggested finance dashboard as presented by Mr Flynn. Mr Flynn explained that the data on the dashboard for 2019/20 (last year) is from the Finance Record submitted to the ESFA in January 2021 with outturn data being used to calculate the financial health measures and KPI's for 2020-21. Members were advised that the college is now also using the percentage of invoices paid within 30 days as a service level measure of performance for the finance team. This had therefore been incorporated into the dashboard.

The committee agreed that the one-page dashboard provided an easy visual way for all senior leaders and governors to track the college's progress against the financial KPIS. It was agreed however that an accompanying glossary of the financial terminology would also be beneficial.

It was agreed that the dashboard would be presented at each committee meeting to cover the period from 1st August to 31st October 2021.

Resolved:

- **That the dashboard be received and format approved.**
- **For the dashboard (and accompanying glossary) to be shared with all governors**
- **For the dashboard to be presented at each committee meeting for review.**

10. BAF: poor financial management, control and forecasting

The committee was reminded that it had revisited the assurance review for this specific risk in March 2021 and June 2021; on both occasions amber assurance was assigned. It was noted that the college at the time of the last review was receiving management accounts, in line with the college's financial regulations. The committee agreed then however that further assurance was needed on the continued timely reporting before assigning full assurance to this risk (green) and a further review was scheduled for this meeting.

The committee were advised that the management accounts for the remainder of 2020/21 were posted on Moodle timely as per the financial regulations. Members also noted that the management accounts for August 2021 had also been included on the agenda for this evening as well as year-end accounts.

The committee reported to now be confident in the timely preparation and circulation of management accounts and therefore assigned green assurance to this risk.

Resolved:

- **To assign green to the risk for poor financial management, control and forecasting.**
- **For the Clerk to update the Master BAF**

11. Any other Business.

There was no other business.

12. Learner Impact Reflection

The impact of discussions and scrutiny of the Committee's work in improving the outcomes and experience for all learners was considered and the following agreed:

- **Ability to financially support all elements of the strategic plan for the college.**

- **Ensuring the Financial viability of the college to continue to provide outstanding outcomes and learning experiences for future students.**
- **Ensuring that the college continues to be a safe learning and working environment for students and staff.**
- **Assurance received that the college has an adequate and effective framework for governance, risk management and control and has fulfilled its statutory responsibility for ‘the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets’.**
- **Assurances received that the college remains compliant with regularity and propriety requirements as per the terms and conditions of funding.**
- **Assurance that the college aims to provide a sustainable, environmentally sensitive, high quality learning environment that enhances the student experience.**

12. Determination of confidentiality

It was resolved that all supporting papers relating to agenda items 9 and 10 are to be deemed confidential.

13. Date of next meeting: (joint with Audit Committee) : 29th November 2021.