



HUDDERSFIELD NEW COLLEGE FURTHER EDUCATION CORPORATION

Finance & Resources Committee held on Monday 18th January 2021 from 5.00pm via Zoom.

Confirmed Minutes

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

In attendance: Mr J Flynn, Ms J Thomas

Clerk: Mrs C Coupland

1. Apologies for Absence/ Declaration of Interest

There were no apologies received and there were no declarations of interest recorded.

Time was taken to welcome Mr Hosker to his first committee meeting. Introductions were made.

2. Minutes from Meeting held on 17th September 2020 and 9th December 2020

Resolved:

- That the minutes be accepted as a correct record, subject to small amendments.

3. Matters arising

17th September 2020:

Planned Maintenance Programme:

Ms Thomas confirmed that the first independent external audit is scheduled for 9th and 10th February to test statutory health and safety compliance. The committee would welcome feedback of the findings at its next meeting.

Health & Safety:

It was noted that the Clerk had circulated the COVID 19 risk assessment to all committee members as requested.

The Clerk advised the committee that the health and safety mid-year report is to be presented at the next meeting. The query regarding the data entry for 2018/19 (section 4 of 2019/20 end of year report) is therefore to be addressed at this point, when updated information is presented for consideration. The committee was satisfied with this approach.

Management Accounts

The committee noted however that the commentary still needs to more clearly address key salient points, especially with regards to budget variances, in order to better support governors' preparation and understanding. This action point is therefore outstanding.

9th December 2020:

External ESFA Funding Assurance Review

Ms Thomas advised the committee that the college was yet to receive the final report from the ESFA. Clerk to circulate to all Governors once received.

Final Audit Findings Report for the year ended 31st July 2020

The clerk confirmed that as approved by the corporation at its meeting on 17th December 2020, the letters of representations had been signed by the Chair and the Principal for submission to the ESFA by 31st January 2021. The final audit findings report is to also be forwarded to ESFA.

Financial Statement and Members Report 31st July 2020

The clerk confirmed that as approved by the corporation at its meeting on 17th December 2020, the financial statements and Members report had been signed by the Chair and the Principal for submission to the ESFA by 31st January 2021.

The committee noted that an update on the submissions for the Financial Statement for 2019/20 was included within the agenda this evening – agenda item 6.

4. Latest Management Accounts : September 2020

Mr Flynn presented the management accounts for September 2020, the 2nd month of the 2020-21 financial year. The committee also noted that the management accounts for August 2020 had been emailed out by the clerk and posted on Moodle.

Mr Flynn advised the committee that the college remains in a strong cash position with an improved overall financial position compared to budget for the period. Members were advised of an overall operating surplus of £196k compared to a budgeted surplus £30k. Mr Flynn explained that the income is higher than expected in the period and overall because of an additional grant received from the ESFA (£39k Technical Education Employer Support Fund); Other grant income received from the ESFA broadly in line with budget.

Staff costs overall are showing an underspend of £87k compared to budget; the element of the underspend relating to teachers pay (£66k) will reduce when a pay award is implemented (effective from 1st September 2020). Ms Williams advised the committee that the negotiations are nearing completion with indications from the SFCA (15/01/2021) that the provisional award pay agreement has an in-year cost of 2.42% with this being payable from 1st September 2020. (The provisional agreement provides an across-the-board increase of 3.25% on the current teacher pay rates and on the baseline). The committee were informed that this level of pay award is in line with expectation and therefore within budget allocation should it be agreed and ratified for implementation by the Corporation.

The committee was advised that the current student number is at 2779, an increase of 229 against target of 2550. This will obviously have positive impact on funding going forward which will be taken into consideration for forecasting purposes.

Furthermore, based on the current management accounts forecast, financial health is expected to remain as outstanding to July 2021.

Mr Flynn went on to explain that operating expenses are currently less than expected reflecting a slower start to the academic year and the impact of educational delivery during the COVID pandemic. The total amount spent on COVID-19 remedial measures to 30th September (two months) was £13 k reflecting the need to protect students and staff during the ongoing pandemic. The committee was informed that to allow for greater social distancing, two large marquees have now been provided, the costs of which has been met from existing budgets. The committee was reminded that the budget for COVID measures is £50k; current indications are that this amount will be spent in full in the period to 31st July 2021, the position will change if further periods of College closure are required.

The committee was also reminded that for obvious reasons given the ongoing impact of COVID 19, income from catering, transport and lettings was less than expected and uncertainty around the full year forecast continues.

Time was taken by the committee to reflect on the corporation's financial regulations and in particular the timeframes awarded to the completion and distribution of monthly management accounts. It was noted that at present the management accounts are three months behind; members were briefed on the reasons for the delay and were advised of the improvement plan underway to ensure that management accounts were to be back on track for the committee's next meeting. The committee noted that without up to date management accounts, how could the senior leadership team and in turn governors account for variances between the budget and actual income and expenditure.

The committee again asked for commentaries to the management accounts to more clearly address key salient points, especially with regards to budget variances, in order to better support governors' preparation and understanding. A mix of tabular and graphical presentation of the finances would also be welcomed to assist clarity given that graphical presentation in particular is useful in identifying trends over time.

Resolved:

- **That the report be received**
- **For outstanding management accounts to be shared with the committee as soon as available.**
- **For the February 2021 management accounts to be presented to the committee at its next meeting.**
- **For management account commentaries to more clearly address key salient points, especially with regards to budget variances, in order to better support governors' preparation and understanding and to include graphical presentation of the finances, in addition to tables.**

- *To receive and make comments on the report*

5. ESFA COVID 19 Finance return and commentary (November 2020)

Mr Flynn advised the committee that the plans for college financial returns have continued to be revised by the DfE following the Covid-19 outbreak and in particular the need for more up-to-date information on how the outbreak was impacting on college finances. Mr Flynn reminded the committee that a cash flow template and financial health calculator was requested back in July 2020. An further updated cash flow template and commentary was also requested for the end of November 2020.

The committee was advised that the college was required to complete and return the return by the 27th November 2020. As presented to the committee, the new finance record incorporated a financial outturn statement for the year 2019 to 2020 and a budget forecast for the year 2020 to 2021 and accompanying commentary. The commentary was to highlight key variables, milestones or decision points as appropriate regarding potential / anticipated risks to solvency

Mr Flynn advised the committee that a return for the College, signed off by the Principal, was submitted before the deadline of 27th November 2020.

The committee was also asked to note that financial health has not been formally assessed by the ESFA since college corporations submitted their finance record for the year 2018 to 2019 and as a result, ESFA has determined that a further finance record would be required as part of the financial statement collection for the year 2019 to 2020. As the July and November 2020 financial health calculator only required a minimum collection of data to monitor the impact of Covid-19 on financial health, the finance record this year will cover both the year 2019 to 2020 and the latest forecast for the year 2020 to 2021. This will enable ESFA to provide college corporations with a final financial health grade for the year 2019 to 2020 based on the audited financial statements and a financial health grade for the year 2020 to 2021. The deadline for corporations to submit their financial statements to ESFA is 31 January 2021 (refer to agenda item 6).

Resolved:

- **That the reports be received**
- **For the minute to note that the return was submitted to the ESFA by the deadline 27th November 2020.**

6. Submission of Financial Statements for the 2019 20 financial year: January 2021

Mr Flynn explained that the ESFA normally requires every Sixth Form College to submit financial and other information via the Data Collection portal by 31st December each year for the financial year ending on 31st July of that year. For 2019-20 this deadline has been extended by one month to 31st January 2021.

Mr Flynn advised the committee of the information required and the progress made to date to prepare this information for submission by the deadline of 31st January 2021 is as follows:

• Signed Statement of Accounts	Complete
• External Audit Management Letter	Complete
• External Audit Regularity Report	Complete
• Audit Committee Annual Report; and	Complete
• Finance Record covering the two-year period to 31st July 2021	Completion underway

Mr Flynn informed members that the two-year finance record (currently being prepared) replaces the Integrated Financial Model for Colleges (IFMC) submitted in February 2020 based on day 42 student numbers at the time, data requirements include:

- Accounting Officers declaration and audit opinion 2019/20;
- Benchmarking Data for the year ended 31/07/2020;
- Financial assumptions to 31/07/2021;
- Financial Health Grade actuals 2019/20;
- Ratio Analysis 2019/20 and 2020/21;
- Statement of Comprehensive Income 2019/20 and 2020/21;
- Balance Sheet 2019/20 and 2020/21;
- Statement of cash flows 2019/20 and 2020/21;
- Analysis of income 2019/20 and 2020/21;
- Staff cost analysis and analysis of non-pay expenditure 2019/20 and 2020/21;
- Other information including audit fees and LGPS information;
- Estates Data as at 31/07/2020;

Time was taken to review the details of the main assumptions behind the data in the finance record regarding income and expenditure. In light of recent government announcements, post circulation of the executive summary, it was noted that changes to some assumptions would need to be made for 2021/21 namely that the high value course premiums is set to continue and so too is the subsidiary for the Teachers' Pension Scheme (currently until August 2022).

Ms Williams also advised the committee that the college is to use a toolkit to support further forecast modelling, which will be based on confirmed funding allocation – expected to be received by the college in February 2021. The remodelled forecasts will

then be again presented to the Committee to make recommendations as necessary to the Corporation to start to inform the next IFMC return and commentary due July 2021.

The Committee asked to be kept informed as to when the Finance Record had been completed and also when all required returns had been submitted for deadline of 31st Jan 2021.

Resolved:

- **That the update be received**
- **That the known changes to the assumptions be noted and incorporated into future modelling**
- **For the confirmed funding allocation to be presented to the committee at its next meeting.**

7. BAF: Poor Financial Health Poor financial management, control and forecasting

The committee acknowledged the breadth of external assurance sources cited within the report but all agreed it appropriate to assign amber assurance to this risk given current circumstances. Members determined that to again secure green assurance in this area; all outstanding management accounts need to be completed and presented to the committee by the date of the next meeting. Members asked for a further assurance review to be undertaken at the next meeting in March 2021.

Resolved:

- **For the Clerk to update the Master BAF with assurance review assigned and the action plan agreed.**
- **For a further assurance review to be undertaken at the next committee meeting in March 2021.**

8. Capital projects

Ms Thomas advised the committee that the Senior Leadership Team have strategically reviewed the college's curriculum offer and is confident that the current offer will be funded until at least August 2022. It was noted that many of the courses are funded beyond this but there is an ongoing AGQ review (the qualification framework which includes our BTEC qualifications) and the impact of this review cannot be known until the outcome of this review is published. Furthermore, the impact of T levels has yet to be finalised and this could impact student numbers, but despite these unknowns Ms Thomas explained that SLT have to effectively plan to house the current student body in order to provide a safe learning experience.

Ms Thomas explained that in 2019/20, in readiness for the 2020 intake, HNC increased its teaching room capacity by three classrooms and the social space by an extra 50 headcounts. However, the funding return of 2779 students is 229 students above the funded target of 2550, primarily in response to the higher number of students achieving the entry criteria due to centre assessed grades last year.

From previous accommodation reports completed, the social space has a capacity of 2550. Ms Thomas explained that the additional 229 students have only been accommodated this academic year by running a 2/3 onsite delivery model due to the pandemic. If this model was not being run, the college would face severe social space overcrowding. It was also noted that the pastoral curriculum had moved fully online which has allowed the utilisation of four tutorial classrooms as curriculum classrooms. Without this, the college would struggle to house the curriculum. It is SLT's view however to move the tutorial delivery back to being face to face, when able and safe to do so, but this would mean that HNC is at least four classrooms short. Furthermore, HNC has a steady market share and a projected rising demographic of a further 300 young people in Kirklees between now and the 2023 entry, space will therefore continue to be an issue should action not be taken now.

In response to this, Ms Thomas, on behalf of the senior leadership team, outlined to the committee possible capital projects in principle; on the understanding that affordability will need to be reviewed post revised financial forecasts. It was also noted that some options are not possible without more funding from, for example, Expansion Fund monies. If deemed affordable, bid outcomes known and subsequent approval sought by the corporation, a full formal tender processes will take place as per the financial regulations.

Ms Thomas further advised the committee that discussions from the SLT meeting on 14/01/21 concluded that the following works, from the options list, were now deemed essential to continue to create a safe and comfortable college environment:

- In the event that the CIF bid is unsuccessful for the fire safety project, £100k is to be used from reserves. (as approved by Governors for Estates emergency works, in 2019/20, but which had not been used then as afforded through financial efficiency within revenue budget).
- The cost of the social space expansion (building over Costa Café) is already allocated in the 2020/21 financial forecasts and is set aside for this. This project is essential to safely house our student body in non-lesson time and to continue to provide an outstanding experience for students.

The committee agreed in principle to the essential works identified subject to affordability. It was also determined useful for a small sub-group to be set up to support SLT in the first instance in considering model designs for the social space expansion and also exploring options for further possible bid submissions. The sub-group would also continue to support the senior

leadership team with any tender processes, post corporation approval, in recognition that in a fast-changing environment, strategic property decisions need to be actioned effectively, and in a timely manner.

Resolved:

- **The committee agreed in principle to the essential works identified subject to affordability and corporation approval as necessary.**
- **For the sub-group to comprise of Mr D Watson, Mr T Hosker and Mr J Dawson.**
- **For updates on capital projects to feature as standing agenda item going forward.**

9. Any other Business.

Assurance Review of Creditor Payment 2020/21 :

Ms Thomas advised the Committee that the Internal Auditors had undertaken an assurance review of creditor payments, as per the audit plan for 2020/21. The review considered the arrangements in place for processing and authorising payments for goods and services procured by the College. The review included the maintenance of supplier details and considered whether any changes to the process that have arisen due to remote working has resulted in gaps in the control environment. The committee was advised that substantial assurance had been assigned to the audit area, with one routine recommendation made to determine KPIs to measure the performance of the finance team allowing for monitoring and oversight and accurate reporting to the Board. Ms Thomas advised the committee that introduction of KPIS had already been included within the Finance Quality Improvement Plan scheduled for delivery in March 2021. The final report will be shared with the Committee once received. It will also be presented to the Audit Committee at its next meeting in March 2021.

Resolved:

- **That the information be received**
- **That the final report be shared with the committee once received.**

11. Learner Impact Reflection

The impact of discussions and scrutiny of the committee’s work in improving the outcomes and experience for all earners was considered and the following agreed:

- **The Committee has agreed in principle to explore viable redevelopment opportunities for the campus in order to safely accommodate growth in student numbers so as to not impact on quality of teaching and learning experience.**
- **Ability to financially support all elements of the strategic plan for the college, potentially impacting on all areas of student learning, experience and outcome**

12. Determination of confidentiality

Supporting papers for agenda items 6 and 7 are to remain confidential

13. Date of next meeting: 22nd March 2021 from 5pm.

Action(s)	By whom	By when
Health and Safety		
Data entry for 2018/19 (section 4 of 2019/20 end of year report) to be checked. (September 2020)	Ms Thomas	Accurate Information to be included within the H&S mid-year report to be presented at next committee meeting.
Management Accounts		
For future commentaries to more clearly address key salient points, especially with regards to budget variances, in order to better support governors' preparation and understanding. (September 2020)	Mr Flynn	Developed template to be presented to committee at its next meeting To complete and present all outstanding management accounts by next meeting – March 2021.
For the committee to receive all outstanding management accounts (January 2021)		Clerk to email and store via Moodle (Oct 2020 - Jan 2021) and to present

		February management accounts at meeting March 2021.
External ESFA Funding Assurance Review		
For all governors to have sight of final report (December 2020)	Clerk to circulate to all Governors once received.	Date yet to be confirmed.
Poor Financial Health Poor financial management, control and forecasting		
To undertake further assurance review at next meeting. (January 2021)	Clerk	To incorporate further assurance review into agenda for March 2021.
Assurance Review of Creditor Payment 2020/21.		
For the committee to have sight of the final report. (January 2021)	Clerk to circulate to the committee once received.	Date to be confirmed. (approx. March 2021 post sign off by the Audit Committee)