



HUDDERSFIELD NEW COLLEGE FURTHER EDUCATION CORPORATION

Finance & Resources Committee held on Monday 21st June 2021 via zoom from 5.00pm.

Confirmed Minutes

| | |
|------------------------------|--|
| <u>Present:</u> | Ms L Summers, Mr J Dawson, Ms A Williams, Mr P Cropper, Mr T Hosker, (attendance 71%) |
| <u>In Attendance:</u> | Mr J Flynn, Ms J Thomas, Mr M Smith-Connor |
| <u>Clerk:</u> | Mrs C Coupland |

1. **Apologies for Absence/ Declaration of Interest**

An apology for absence was submitted by Ms T Wright. Mr Watson did not attend the meeting.

There were no declarations of interest to record.

2. **Minutes from Meeting held on 22nd March 2021**

Resolved:

- **That the minutes be accepted as a correct record**

3. **Matters arising**

External ESFA Funding Assurance Review:

It was confirmed that the final audit report was shared with all governors.

Latest Management Accounts:

Ms Summers confirmed that the outstanding management accounts for February 2021 were shared with all governors by Friday 26th February 2021. It was also noted that management accounts for March 2021 and April 2021 were shared timely with Governors and posted on Moodle. The management accounts for May 2021 are to be considered at this meeting (agenda item 4).

Ms Summers asked the committee to comment on the revised format of the monthly management accounts commentary at the relevant point of the meeting; in particular for members to determine whether the known prepayments and accruals in the income and expenditure account had been satisfactorily reflected in order to best support the committee in understanding and overseeing the colleges finances.

Financial parameters

Ms Summers confirmed that the corporation agreed with the committee's recommendation to maintain the existing financial parameters for the period 2021/22.

Financial Key Performance Indicators

Ms Summers confirmed that the corporation at its last meeting in April 2021 approved the use of the FE Commissioner's revised benchmarks as the financial KPIS going forward.

Treasury Management Policy:

Mr Flynn confirmed that the approved policy had since been converted into the college's standard policy template.

BAF: Poor financial management, control and forecasting.

Ms Summers confirmed that the risk was to be reconsidered at this meeting under agenda item 9.

Health and Safety Report : Mid year.

Ms Thomas explained that the data entries collated under the heading 'behaviour' of the accident report log included treatment for student misbehaviour as well as self harm injuries. It was agreed by the committee that future editions of this report should make a distinction between the different types of categories. Ms Wrights views would however be welcomed as the safeguarding link governor.

Property Development Strategy

Ms Summers noted that an update was to be given tonight under agenda item 10.

4. Latest Management Accounts : May 2021

Mr Flynn presented the management accounts for May 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:

- Increased income of £635k to date (additional in year funding for student growth);
- An underspend against staff costs of £76k compared to budget;
- An underspend against other costs of £525k
- An overall operating surplus to date of £1,332k compared to a budgeted surplus of £175k;

The committee noted that these costs include the pay award for teachers and additional support staff pay award and that operating expenses continue to spend at a level which is lower than expected reflecting in part the impact of educational delivery during the COVID pandemic; any modest loss of income (lettings for example) is also more than offset by additional 'in year income'.

The Committee was advised that all current targets are expected to be met by July 2021, with student recruitment forecast being 196 above the 2526 funded number. The latest forecast surplus at 31st July 2021 is estimated to be £1,134k compared to a budgeted surplus of £210K. This surplus takes into account the funding growth linked to student numbers, additional Teachers Pension Scheme Grant and savings in the cost of bus provision. Mr Flynn advised the committee that the surplus will be ring-fenced and carried forward to support capital investment in buildings and infrastructure (estimated £1,225k) that will be made in the next financial year, 2021-22, as per of the revised College Property Strategy.

Mr Flynn confirmed that the forecasted Financial Health Score for July 2021 remains to be outstanding.

Mr Flynn explained that cash as at 31st May 2021 is £4.259m (Cash as at 30th April was £3.562m); This includes cash in hand, the main current account, short term investments and other bank accounts. Mr Flynn confirmed that the level of cash reflects the ESFA funding profile with grant funding of £1.933m being received from the ESFA in April, a further £1.512m received in May (compared with £0.735m received in March). Mr Flynn advised members that expenditure remains significantly lower than budget because of the impact of Covid and periods of College closure. The forecasted cash position at 31st July is now £3.986m based on the latest ESFA income allocations and planned expenditure to year- end.

The Committee noted that the Income and Expenditure account shows the forecast year-end surplus variance as being £924,379 at the moment; Mr Flynn explained that this was because he was being prudent on forecasting budget spending in the lead up to the year end. The committee agreed that it would be beneficial for future commentaries to address significant changes to the trajectory of forecast spend to better inform governors understanding of the budgetary controls in place.

Mr Flynn also advised the committee that the management accounts for April 2021 were provided to the bank in May 2021 in line with the requirements of the Loan Covenant. The next set of management accounts to be sent will be those for July 2021.

The committee welcomed the revised format of the commentary; all agreed that the charts and tables provided useful visual aids in the tracking of college progress against the financial KPIS. It was noted that

these would provide the basis for the governors' financial KPI dashboard being prepared for September 2021. Members were also of the view that the management accounts better reflects the known prepayments and accruals.

Resolved:

- **That the report be received.**
- **For future commentaries to address any significant changes to the trajectory of forecast spend to better inform governors understanding of the budgetary controls in place.**

5. CFFR - Annual Budget 2021/22 & Financial Forecast 2022/23

Mr Flynn presented his report to the committee.

Mr Flynn explained that the College Financial Planning Handbook sets out the Education and Skills Funding Agency's (ESFA's) financial planning requirements for sixth-form (SF) and further education (FE) college corporations. He asked the Committee to review SLTs drafts of the college's submissions for the College Financial Forecasting Return (CFFR). Members were advised that this financial model replaces the Integrated Financial Model for Colleges (IFMC).

Mr Flynn confirmed that the CFFR incorporates an outturn statement for the year 2020 to 2021 and budget forecast plans for the years 2021 to 2022 and 2022 to 2023.

College financial forecasting return – current year 2020 to 2021:

The committee was satisfied that the actuals and forecast for the current year reflect the college's financial performance. It was noted that it was substantively based on actual transactions to May 2021, though with an element of forecasting to year end.

College financial forecasting returns– budget forecast years 2021 to 2022 and 2022 to 2023

Mr Flynn explained that the budget forecasts for the years 2021 to 2022 and 2022 to 2023 aim to give a realistic view of the corporation's expected financial performance of the college. The Committee agreed that the forecasting returns appropriately reflect the cost of implementing the corporation's strategy including income, expenditure, balances and cash flows associated with projected levels of activity.

Supporting commentary – assumptions and sensitivity analysis:

Mr Flynn advised the committee that there is only a requirement to include the current year in the supporting commentary. The college however has chosen to also submit a comprehensive supporting commentary in relation to the years 2021 to 2022 and 2022 to 2023 with the CFFR.

The committee was of the view that the commentary clearly details assumptions underlying the 2021 to 2022 and 2022 to 2023 years and also explains why these assumptions have been adopted. It provides a summary of the strategic objectives and offers a description of how the CFFR is consistent with the corporation's strategic objectives. It also addresses how strategic risks are to be managed and mitigated.

The Committee endorsed the major assumptions underlying the formulation of the 2 year financial forecast.

Members however asked for the checklist on assumptions, provided within the Financial Planning Handbook, to be shared with the corporation on final presentation of the supporting commentary at its meeting on 1st July 2021.

Financial Health:

Mr Flynn confirmed that the ESFA is to continue to formally assess the financial health of corporations based on three financial indicators taken from the finance record:

- Solvency
- Performance

- Borrowing

The committee acknowledged that the commentary makes clear the college's financial health self assessment for the following periods:

Finance Record - auto-calculation

Auto-calculation of the College Financial Health grade based on financial performance in 2019-20 gave a grade of Outstanding (score 290). This grade is consistent with that calculated and reported to Governors during the year.

Financial Health – to July 2021

The College self-assessment of financial performance to 31st July 2021 is also a grade of Outstanding (score 290). It has not been necessary to moderate this self-assessment grade.

Financial Health 2021/22

Given that the national funding rate for 2021/22 is now confirmed as £4,188 per student, and with the significant growth seen in student numbers to 2,779, the college expects to maintain this outstanding financial grade in 2021/22 and aim to be good or outstanding in 2022/23.

The committee agreed with the rationale behind the financial health self-assessment as also included within the commentary.

Mr Flynn explained that the corporation is accountable for ensuring the financial viability of the college, and must regularly assess financial health, resilience and threats to insolvency, considering all relevant information. On final approval by the corporation, The CFFR will be imported into the ESFAs database for the information to be extracted and processed. The accounting officer's declaration within the cover sheet of the database confirms that the corporation has approved the CFFR and that it supports the college's strategic objectives. The accounting officer also confirms that the supporting commentary has been prepared with due regard to the financial planning handbook and the opening cash balances have been reconciled to bank statements.

Resolved:

- **The committee recommends to the corporation the approval of the returns to be submitted to the ESFA for the CFFR on 31 July 2021 as per the College Financial Planning Handbook 2021. Submissions of documents include:**
 - **Outturn – year ending 31 July 2021**
 - **Budget – year ending 31 July 2022**
 - **Forecast- year ending 31 July 2023**

- **The committee recommends to the corporation that the college is to self assess as 'outstanding' financial health for 2020/21 and 2021/22.**

6. Financial Regulations

Mr Flynn reminded the committee that the College's Financial Regulations explain how the College meets certain financial regulations, requirements, restrictions and guidelines, aiming to maintain the integrity of the financial system.

The Financial Regulations has therefore been amended to reflect the college's current framework and approach to financial management and control. It was acknowledged that the Financial Regulations continues to include both high level guidance in terms of the College's Governance requirements, and also procedural detail to support decision making, clarify accountability and ensure integrity of internal controls and stewardship.

Resolved:

- **For the Corporation to approve the changes to the Financial Regulations.**

7. Policy Reviews:

- *Fees and Charges Policy*

The Committee noted that the annual review had been undertaken the proposed amendments were agreed.

- *Business Travel and Expenses Policy – Annual Review*

The Committee noted that the annual review had been undertaken and again approved the amendments proposed.

Resolved:

- **For the changes to the policies to be approved.**

8. ESFA Letter: Financial Statements 2019 to 2020 and Finance Record 2019 to 2021

Mr Flynn advised the committee that the college had received a confirmatory letter from the ESFA that they had received and reviewed the college's audited financial statements and assurance returns for the year ended 31 July 2020 and the finance record for the years ending 31 July 2020 (2019/20) and 31 July 2021 (2020/21).

Governors noted that the ESFA are in agreement with the college's assessment grades for outstanding financial health for 2019/20 and 2020/21. Furthermore, the ESFA had reviewed the college's audited financial statements, management letter and the annual report of the audit committee and have not identified any significant financial control concerns.

Mr Flynn presented the ESFA's financial dashboard to the committee. Time was taken to consider the college's performance against each of the key performance indicators and measures against both target benchmarks and benchmarks achieved in the sector. Members agreed that the sector benchmarking were exceptionally informative in supporting the governors in externally monitoring and assessing the college's performance. It was therefore resolved for available sector benchmarks to be incorporated into the college's finance KPI dashboard which is to be in created for the new academic year.

The committee thanked Mr Flynn for his comprehensive feedback on his analysis of the different elements of the dashboard.

Resolved:

- **That the letter be received**
- **For the finance dashboard to be circulated to all governors**
- **For available sector benchmarks to be incorporated into the college's finance KPI dashboard which is to be in created for the new academic year.**

9. BAF Assurance Reviews:

- *Poor Financial Management control and forecasting (opportunity to reassess assurance level)*

Ms Summers reminded the committee that members had asked to revisit the assurance review for this specific risk. It was noted that at the last meeting an assurance rating of amber had been assigned; it had been agreed at this point that full assurance (green) would not be assigned until the corporation had continued to receive timely management accounts.

The committee acknowledged that management accounts are now on target and are being shared with governors in line with the financial regulations. It was however determined appropriate to keep the risk as amber, subject to a further review at the next meeting, for the good progress to continue.

The committee again noted that the assigned risk encompasses all areas of financial management; of which monthly management accounts - albeit significant - are only one source of assurance. Members therefore reflected openly on the number of alternative assurance sources available to Governors regarding the current financial position of the college. The committee welcomed the opportunity to review the recent Tiaa (internal Auditor) Assurance review of Budgetary Control as further additional external assurance. Ms Thomas confirmed that the report was considered at the Audit Committee meeting on 15th June 2021.

Resolved:

- **For amber assurance level to remain assigned to this risk.**
- **For a further assurance review of the risk to be undertaken at the committees first meeting of the autumn term.**

- *Inaccurate student data and funding claims*

The committee agreed it appropriate to re-assign green assurance to this risk. Members reported to be confident in the different levels of assurances identified. Ms Thomas and the MIS team were also thanked by the committee for the integrity of the college data in recognition of 100% accuracy rates achieved for all external data checks completed for the previous 5 years.

Resolved:

- **To reassign amber to the risk for poor financial management, control and forecasting.**
- **To reassign green to the risk for inaccurate student data and funding claims.**
- **For the Clerk to update the Master BAF**

10. Capital Projects

Ms Thomas presented an update to the committee of the Property Development Strategy; Ms Thomas confirmed that all projects are going ahead as planned.

Ms Thomas also advised the committee that the college had submitted a bid today (deadline for submissions) for the Post 16 Capital Fund (Criteria and application released 18/05/21 via SFCA) and that a copy of the bid had been emailed to Ms Summers and Mr Dawson.

The committee was informed that expansion project costs are approx. £1.5m (VAT recoverable), including all fixtures and fittings which would mean matched funding of £225k. SLT are investigating options for the modular build including 4-6 classrooms, 6 person staff space, toilets, store, circulation space.

Ms Thomas advised the committee that the bid had been submitted with the rationale for need based on recruitment and local need. Ms Thomas also confirmed that it is the intention of the College to deliver the most sustainable and energy efficient building on the campus and that careful consideration had therefore been given to the design and embodied carbon of the building elements. The college are targeting BREEAM 'Excellent' rating.

The committee raised the possibility of increased construction costs and time delays associated with the ongoing health pandemic. Ms Thomas advised members that this had been considered and accounted for within the initial costed plan and property development strategy.

Resolved:

- **That the report be received.**
- **For the committee to be kept informed of the outcome of the bid submission.**

11. Self Assessment of Committee Work/Business and annual review of terms of reference

The Committee reflected upon its work throughout the academic year and agreed that it is fully covering its terms of reference. Time was taken to specifically consider how best to accurately RAG rate the committee's performance against the term of reference for budget reviews and financial forecasts given the delayed management accounts between October 2020 to March 2021. It was agreed appropriate to record this element as 'amber/green' given that the committee had provided robust support and challenge to the senior leadership team to secure improved and timely financial management recording and reporting.

Members also considered how the Committee's work has impacted/ contributed to the overall work of Governing Body during this academic year and that of the leadership of the College. Members contributed their opinions for the Clerk to insert into the committee's self-assessment report which will be distributed to all Governors.

Resolved:

- **That the Committee has complied with its terms of reference**

12. Any other Business.

It was noted that this would have been Ms T Wright's last F&R Committee meeting. Members asked for the minutes to record their thanks to Ms Wright for her sterling contributions during the time she has served.

13. 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:

- **Critical review of annual performance ensures that the Finance Committee has fulfilled its delegated responsibilities.**
- **Ability to financially support all elements of the Strategic Plan for the college**
- **Policy reviews enable the committee to be confident that the college is able to sustain services for students**
- **Annual review of the financial regulations assures members that the college is maintaining the integrity of its financial system to secure sustainability of the college for current and future students and staff.**
- **The Committee agrees to the 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.**
- **Provision of performance indicator information allows Governors to see how the College will be judged by the ESFA, FE Commissioner and other stakeholders, supports effective oversight of College financial performance and allows judgements and improvements to be made in terms of financial efficiency**

14. Determination of confidentiality

For the supporting papers for agenda item 5, 9 and 10 to be determined as confidential

For the CFFR to be determined as confidential until approved by the Corporation.

15. Date of next meeting: to be agreed