



## HUDDERSFIELD NEW COLLEGE FURTHER EDUCATION CORPORATION

Finance & Resources Committee held on Monday 22<sup>nd</sup> March 2021 from 5.00pm.  
Via Zoom

### Confirmed Minutes

**Present:** Ms L Summers (Chair), Mr J Dawson, Ms Williams, Mr P Cropper, Ms T Wright, Mr T Hosker (86% 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

Apologies were received from Mr D Watson. There were no declarations of interest recorded.

Ms Summers took this opportunity to explain to members that Ms Needham had resigned with immediate effect as of 13th February 2021.. Ms Summers advised everyone that, on the request of the Clerk, she had been asked to temporarily chair the committee given the circumstances until the Search & Governance Committee were able to meet and review committee membership and recommend an appointment of a new Chair as of September 2021. Members agreed with this arrangement and also asked to record their thanks to Ms Needham for her time served as a governor. Her support, guidance and challenge was very much welcomed by the committee.

#### 2. Minutes from Meeting held on 18<sup>th</sup> January 2021.

##### Resolved:

- That the minutes be accepted as a correct record.

#### 3. Matters arising

##### *Planned Maintenance Programme:*

Ms Summers noted that the internal auditor's assurance review is to be presented to the committee this evening alongside the Health and Safety Mid Year report (agenda item 10).

##### *External ESFA Funding Assurance Review*

The Clerk confirmed that the final report had been received by the audit committee at its meeting last week. The report will be shared with all governors at the corporation meeting scheduled for 22nd April 2021. The Clerk confirmed that the report will then be circulated wider to all co-optee members.

##### *Financial Statement and Members Report 31st July 2020*

The Clerk confirmed that all required signed documents and financial returns had been submitted to the ESFA by the deadline of 31st January 2021 and that the financial statements and Members report had also been published on the colleges website.

##### *Management accounts:*

Ms Summers noted that the monthly management accounts for January 2021 was to be considered at tonight's meeting (agenda item 4) rather than February's. Mr Flynn explained to the committee that he was finalising the February management accounts which he intends to share with Governors by the end of the week, post review by the Senior Leadership Team. Ms Summers informed the committee that time would also be taken for members to reflect on the presentation of the commentaries, under agenda item 4, to determine whether the revised report format addresses their previous suggestions and better supports governors' preparation and understanding of the colleges financial position.

##### *Poor Financial management, control and forecasting – assurance review*

Ms Summers noted that this item was relisted on this evenings agenda (agenda item 8)

##### *Assurance review of Creditor Payment 2020/21*

Ms Thomas advised the committee that the final report had been presented to the audit committee at its last meeting. The Senior Leadership Team however wanted to share it with the Finance and Resources committee as further assurance of the college's robust financial management, especially in light of the delay in completing the monthly management accounts.

Ms Thomas explained that 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, which have arisen due to remote working has resulted in gaps in the control environment. The overall assessment awarded was substantial assurance. One routine recommendation had been made in respect of determining relevant service level KPIs to help measure the ongoing performance of the finance team. Ms Thomas confirmed that new KPIs are to be discussed as part of the annual finance development plan which will be monitored through the SAR and QIP process. The audit committee are to monitor the implementation of the recommendation as per its term of reference.

The committee welcomed the report and agreed that the findings were positive.

**Resolved:**

- **That the report be received.**

**4. Latest Management Accounts : January 2021**

Mr Flynn presented the monthly management accounts for January 2021. Members acknowledged however that they had also received the management accounts for October 2021 – December 2021 at intervals since the Committee's last meeting, via email and the colleges intranet.

The Committee was advised that all current targets are expected to be met by July 2021. The latest forecast surplus for July 2021 is to be £377k compared to a budgeted surplus of £210k; taking into account other variances such as additional in year funding received linked to the growth in student numbers as well as Teachers Pension Grant (totalling £722,352) and an additional revenue contribution to a capital scheme of £525k in summer 2021. Mr Flynn confirmed that £1.225m property capital spend is now also included in the 2020/21 budget to support the property strategy (agenda item 9) with £700k placed in 2021/22 forecasts.

Members were advised that student recruitment had gone exceptionally well. Current student enrolment is 2,780 which exceeds the 2526 initially funded number for 2020/21. Student numbers forecast, if retention remains at 97.91%, is 2,722, with estimated growth in student numbers for next year being up by 196. This increase will obviously have a positive impact on funding going forward which will be taken into consideration for forecasting purposes.

The committee was advised that based on the current management accounts forecast, financial health is expected to remain as outstanding to July 2021.

The committee was informed that the actual prepayments figure (January £285k) reflects the fact that payment for a number of maintenance contracts (repairs and maintenance, IT) and for most exams is made at the start of the year. The adjustment is made so as not to distort the actual monthly position as the year progresses. Furthermore, Mr Flynn explained that most of the actual amount accrued (now £101k) is the estimated cost of the teachers pay award (2.42% payable from 1st September 2020) with this being included in the teaching cost expenditure to January 2020 only. The National Joint Council (NJC) has recently agreed to revise the 2020/21 pay settlement for all support staff to take effect from 1st October 2020. The Employers side agreed to honour the existing agreements reopener clause, which was triggered because of the recent award for teaching staff. The revised additional pay award, if approved by the corporation, represents an increase of 0.75% on top of that already agreed and can be accommodated within the staff budget (additional £15k).

The committee debated and in turn resolved that management accounts going forward need to accurately reflect all known prepayments and recognise all accruals in the income and expenditure account so as to offer greater assurance to governors (and also to the senior leadership team) that the variance between the actual (to date) and forecast (year end) positions are accurate and meaningful.

Members agreed that the format of the commentary is comprehensive in now covering all key salient points and therefore better supports governor preparation for meetings. The committee considered the need for a more pictorial display of information to help governors, at a glance, track actual progress against projected performance/forecasts. From the debate, it was agreed that the creation of a Governor dashboard for all financial parameters and key performance indicators would be more beneficial to the committee and also to the wider Corporation. Ms Thomas and Mr Flynn were therefore tasked with considering how best to visually present this information for 2021/22.

The committee asked to record their thanks to Mr Flynn for bringing the management accounts up to date. It was again noted that the February accounts are to be shared with Governors by the end of this week. This gives comfort to the committee that accurate and timely financial management will be consistently produced in future.

**Resolved:**

- **That the management accounts for January 2021 be received**
- **For outstanding management accounts for February 2021 to be shared with Governors by Friday 26th February 2021.**
- **To record that the revised management account commentaries better address key salient points, especially with regards to actual budget variances in order to better support governors preparations**

- **For future management accounts to accurately reflect all known prepayments and recognise all accruals in the income and expenditure account so as to offer greater assurance to governors (and also to the senior leadership team) that the variance between the actual (to date) and forecast (year end) positions are accurate and meaningful.**
- **For Ms Thomas and Mr Flynn to determine layout for governor dashboard for all financial parameters and key performance indicators for implementation in the new academic year.**

## 5. Financial Parameters 2021/2022

The committee was asked to consider the financial parameters for the next financial year 2021-22, in light of the current external environment and the planned strategic direction of the college going forward.

Mr Flynn advised the committee that financial parameters are reviewed annually in advance of finalising the draft financial forecast in June and provide a framework, in addition to financial key performance indicators, for setting and monitoring revenue budget for the college.

From the committee's deliberations – it was agreed appropriate to recommend for the college to continue to maintain the three parameters as last approved by the corporation in January 2020:

- Operating expenditure does not exceed income for each period;
- Cash is maintained at a level of £2.1m and
- Financial health is maintained at 'Good or 'Outstanding' category for the whole period.

### Resolved:

- **To recommend to the Corporation that the existing financial parameters are maintained for the period 2021/22 to form the framework used by the college when setting and managing the revenue budget for the financial year.**

## 6. Financial Key Performance Indicators 2021/2022

Mr Flynn advised the committee that Governors and Senior Leaders at the College need to have a set of financial 'Key Performance Indicators' (KPI's) that allow effective oversight of the Colleges financial position though the year. KPI's are regularly reported and are included within the College Strategic Plan.

The Committee was reminded that at present the following measures are currently reported in the monthly management accounts commentary:

- Solvency
  - Adjusted Current Ratio
  - The ratio between current assets and current liabilities on the balance sheet
- Performance
  - Operating Surplus as percentage of income
  - EBITDA: Earnings before Interest, Taxes, Depreciation and Amortisation expressed as a percentage of income
- Borrowing
  - A measure based of a college's level of debt, the ratio of borrowing to income expressed as a percentage
- Financial Health
  - Based on the three measures above

Mr Flynn advised members that the Office of the Further Education Commissioner use a set of six financial benchmarks as part of their intervention work. The FE Commissioner wrote to Chairs and Principals of further education and sixth form college corporations on 22nd February 2021 to indicate that the financial benchmarks adopted by the FE Commissioner had been reviewed and would be subject to change going forward. It is the Senior Leadership Team's view that the FE Commissioner financial benchmarks should be adopted by the college to assist Governors in particular in exercising their role in overseeing the finances of the College.

The committee noted that the letter is detailed in terms of the calculation of the revised benchmarks but in summary, the six benchmarks to be used going forward are:

- Debt Service Cover Ratio (New)
- Pay cost as a % of income
- Financial Health Grade
- Adjusted Operating Surplus as a % of income
- Cash Days in hand
- Adjusted Current Ratio

The committee agreed that the FE Commissioner revised benchmarks represent suitable measures that can be used by Governors to assess the financial status and performance of the College and that the benchmarks should therefore be adopted

as the College financial KPI's going forward. It was also agreed sensible for these KPIs, to be included in addition to those already included within the draft strategic plan for 2021-24 namely:

- Operating surplus/deficit: total income and total expenditure to balance (as a minimum)
- Cash in Bank (minimum £1.88m, 2 months expenditure)
- Covenants (compliance with covenant terms)

The committee agreed with the senior leadership team's recommendation for all financial benchmarks (KPIs and parameters) to be reported to Governors on a quarterly basis via the dashboard (presentational format yet to be determined). It was agreed sensible however for the dashboard to be accompanied with a glossary explaining technical terms for lay governors and in the first instance for all governors to receive training to assist with general understanding of each of the new KPI measurements and more importantly the implications for the college if not meeting/exceeding the benchmarks.

**Resolved:**

- **That the FE Commissioners letter (dated 22.02.21) be received.**
- **To make a recommendation to the corporation that the FE Commissioner revised benchmarks are to be adopted as the College financial KPI's going forward; in addition to those included within the draft strategic plan for 2021-24**
- **For all financial KPIs and financial parameters to be reported to Governors on a quarterly basis via the dashboard (presentational format yet to be determined).**
- **For the dashboard (once designed) to be accompanied with a glossary and for all governors to undertake training to assist with general understanding of each of the KPI measurements and more importantly the implications for the college if not meeting/exceeding the benchmarks.**

## **7. Treasury Management Policy : Annual Review**

The committee took this opportunity to review the Treasury Management Policy.

A robust discussion was had with all members agreeing that the current criterion for deposits with UK banks/Building societies remains to be proportionate and appropriate for maintaining solvency, safeguarding the colleges assets and securing value for money.

The committee asked for Mr Flynn to return the treasury management policy should the criteria not be feasible in practice recognising possible difficulties faced when sourcing institutes to make deposits with, which currently hold a satisfactory Moody's or Standard & Pours A/stable rating.

The committee reviewed the current position (31st January 2021) in relation to cash, investments and borrowing.

Members also asked for the approved policy to be converted into the college's standard policy template.

**Resolved:**

- **That the Treasury Management Policy be approved with standard policy template being adopted.**
- **That the current position in relation to cash, investments and borrowing be noted.**

## **8. Board Assurance Framework review: Poor financial management, control and forecasting**

Ms Thomas reminded the committee that members had asked to revisit the assurance review for this specific risk. At the last meeting an assurance rating of amber was assigned given that management accounts were 4 months behind.

Ms Thomas explained that the college is now on target to be up to date with management accounts by the end of this working week, however the senior leadership team recognise that the committee would need to assure itself of continued timely reporting before assigning full assurance to this risk (green). With this in mind, the risk management group recommends to the committee that this risk continues to remain amber until sustained timely submission of management accounts could be demonstrated. The committee agreed to again review the risk at its next meeting in order to be satisfied that it was being managed effectively.

The committee 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; including but not limited to:

- External Audit of final Accounts (Dec 2020)
- External audit of TPS (Sept 2020)
- ESFA approval of financial forecasts (August 2020)
- ESFA funding assurance audit (Dec 2020)
- Assurance review of Creditor Payment 2020/21 (Feb 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 next meeting in June 2021.**

## **9. 2020/21 Property Development Strategy**

Ms Thomas reminded the committee that at its last meeting in January 2021 the options for essential works identified by the senior leadership team had been agreed in principle subject to affordability.

Ms Thomas explained that the college's funding rates for 2021/22 have been agreed, and at the higher rate as experienced in 2019/20. The initial financial forecast for 2021/22, which was very conservative, has been updated to reflect this. Members were advised that within this revised forecast, there is a higher cash surplus than in the initial very conservative forecast and that the Senior Leadership Team plan to reinvest this into ensuring the campus meets the needs of the current student body through to 2023. The college has also received an extra £722k in year funding for the extra students recruited. The anticipated spend is therefore from increased surplus due to increased recruitment, with no requirement for borrowing.

Ms Thomas presented her report to the committee which further outlined the college's current funding position, recruitment and accommodation need and to appraise the F & R committee of SLT's property strategy discussions for 2021.

The committee reviewed the budgetary considerations for the property strategy and agreed that the following projects remain affordable and meets the college's immediate need for 4 more classrooms and social space for 229 more students, whilst also supporting longer-term projections in terms of student numbers and curriculum offer:

- o Emergency lighting - £50k in this year's budget
- o Costa - £300k in this year's budget
- o Extension - £700k in this year's budget and £500k in next year's budget
- o classroom 419/421 split – £60k in this year's budget
- o Minor projects - £35k in this year's budget
- o Planned maintenance (upgrading of current facilities as per rolling plan) - £80k in this year's budget
- o Total property strategy - £1.225 million in this year's budget and £700k in next year's budget

The committee noted that as per the financial regulations, an independent member of the governing body will need to be present at the tender opening. An initial meeting with the architects has been planned for 24th March 2021. It was agreed appropriate for members of the existing sub-group (Mr Hosker, Mr Dawson and Mr Watson) in the first instance to be called upon to support the senior leadership team with the tender processes, subject to availability and personal circumstances, with other Committee members standing by to assist if necessary..

**Resolved:**

- **To advise the corporation of the property strategy.**
- **To continue to oversee the property strategy and its associated costs, on behalf of the corporation.**
- **For members of the sub-group, in the first instance, to be called upon to support the senior leadership team with the tender process as per the financial regulations.**

## **10. Health and Safety Mid-Year Report**

Ms Thomas presented the report to the committee. She reminded members that the purpose of the report is to provide Governors with an oversight of Health and Safety activity and compliance.

Ms Thomas explained that the report is in a different format to previous years, following a Senior Leadership Team review and an audit recommendation from the recent Assurance Review of Estates – Statutory Certification. The committee welcomed the revised format which made clear the required high level compliance testing in addition to the Standard level compliance testing; whilst providing a comprehensive summary of issues that have been considered by the College Health & Safety Committee during the academic year.

Ms Thomas confirmed that there have been no reportable incidents in this period. Ms Thomas also advised members that the accident report log had been updated with the revised figures as requested to do so by the committee in October 2020. The committee noted that a total of 38 accidents have been reported. This is a significant reduction compared to last year but this is in response to COVID 19 and the restricted opening of the college. The committee questioned however as to why the data presented under the heading 'behaviour' of the accident report log had not decreased as a result of COVID but had in fact remained consistent with other reporting years. Ms Thomas was asked to ascertain as to what accidents are listed under this category and to report back to the committee at its next meeting.

The committee took this opportunity to review the final internal audit report for the recent Assurance Review of Estates – Statutory Certification. The review considered how the College monitors and meets its health and safety obligations in relation to the following areas: Water hygiene, Fire Risk, Asbestos and Periodic Electrical Testing. The review considered the evidence

provided to and retained by the College that demonstrates that the relevant activities and checks are being undertaken. Members noted that reasonable assurance had been assigned to this audit. All agreed that significant progress has been made in this area. Ms Thomas again confirmed that the audit committee are to monitor the implementation of the recommendations as per its term of reference.

**Resolved:**

- **That the mid year H&S report be received**
- **For Ms Thomas to advise the committee at its next meeting as to what data entries are collated under the heading 'behaviour' of the accident report log**
- **That the Assurance Review of Estates – Statutory Certification be received.**

**11. Any other Business.**

The Clerk asked for the committee's views on how to proceed with meetings going forward especially as and when social distancing rules are relaxed. Members present raised a preference for online committee meetings to continue in the future, should the corporation approve. For it was agreed that virtual meetings have not impacted upon the efficiency and effectiveness of the workings of the committee; attendance and contributions have remained high and the benefits of joining a virtual meeting when balancing home / work commitments was particularly mentioned. It was also agreed however that should face to face meetings resume; it would be appropriate to adopt a hybrid model with governors being able to dial into meetings if necessary rather than only having the option to submit apologies should they not be able to be physically present at meetings..

**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:**

- **Financial parameters contribute to the effective oversight of college financial performance by governors and other stakeholders and allow judgements and improvements to be made in terms of financial efficiency.**
- **Assurance received that the college is able to financially support all elements of the strategic plan for the college, potentially impacting on all areas of student learning, experience and outcome.**
- **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.**
- **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.**

**13. Determination of confidentiality**

It was determined that the supporting papers for agenda item 8 are to be determined as confidential.

**14. Date of next meeting: 21<sup>st</sup> June 2021 from 5pm (venue to be advised)**