



HUDDERSFIELD NEW COLLEGE FURTHER EDUCATION CORPORATION

Finance & Resources Committee held on Monday 29th November 2021 from 4pm via Teams.

Confirmed Minutes

Present: Mr J Dawson (Chair), Mr T Hosker, Mr P Cropper and Ms A Williams (attendance 80%)

In attendance: Mr A Hogg (W&B), Ms C Dalrymple (W&B), Ms J Thomas, Mr M Smith-Connor and Mr J Flynn. (W&B present for agenda item 6 only)

Clerk: Mrs C Coupland

1. Apologies for Absence/ Declaration of Interest

Apologies were received from Mr D Watson.

There were no declarations of interest.

It was noted that agenda items 6 and 7 were to be jointly considered with the Audit Committee.

2. Minutes from meeting held on 4th October 2021

Resolved:

- **That the minutes be accepted as a true and accurate account of the meeting.**

3. Matters arising

Financial Regulations:

The Committee were reminded 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 are therefore intended to provide an effective framework for communicating the college's approach to financial management and control. They 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.

The Committee recalled that at the last meeting members had raised a procedural point on the transferring of funds between the separate expansion projects. Although in support of SLT taking this action without corporation endorsement, clarity was sought from the Clerk as to the delegated authority regarding capital spending for feedback at the next committee meeting.

The Clerk advised members that, post review, she had informed the Chair of the Committee that she was satisfied that decisions taken to date were compliant with delegated responsibilities however changes were now proposed to the financial regulations to better clarify roles and responsibilities regarding the planning and completion of significant capital schemes.

The Clerk, as further requested by the committee at the last meeting, had also proposed changes to the financial regulations regarding the completion of August (month 1) management accounts.

The committee was advised that in response to an external audit recommendation (for 2020/21) the college has also taken the decision to no longer use cheques given that the safest method of money transfer is BACs transfer. Opportunity has therefore been taken to update the financial regulations to reflect practice going forward.

Furthermore, the Clerk explained that procedures relating to the tender process had also been amended to make reference to virtual arrangements as and when implemented.

All changes were considered by the committee. It was noted that the financial regulations remain procedurally compliant with relevant legislation and regulatory and propriety requirements. It was therefore agreed that the changes were to be recommended to the corporation for approval in order to better clarify roles and responsibilities regarding significant capital schemes and to reflect practice initiatives.

The clerk confirmed that the only change required to the scheme of delegation was for the specific authorised spending levels of delegation to be updated. (appendix 1 of the financial regulations). This scheme of delegation identifies who has the authority to take actions and make decisions on the key College Functions. It is subject to annual review by the Search & Governance Committee.

Resolved:

- **To recommend corporation approval of the proposed changes to the financial regulations**

4. Property Strategy (including significant capital scheme) 2021/22

Ms Thomas explained that through the F & R Committee, SLT have continued to communicate the property strategy for 2021/22 to ensure that HNC can accommodate the growth we have already experienced in student numbers and that all projects support the new strategic objectives in the new Strategic Plan 2021-24.

Ms Thomas went on to explain that last academic year, all significant capital scheme projects were costed, affordable, and shown as capital spend in the monthly management accounts and financial forecasts presented to SLT and the F & R committee. The investment was made possible from increased student number recruitment resulting in in-year growth funding, operational savings (mainly Covid-19 related) in 2020/21, and has no impact on reserves.

The committee were informed that the Costa Café expansion was progressing on cost and within agreed revised timeframes. Estimated completion date is 17th January 2022. Joint progress meetings continue to take place to evaluate the progress made.

Ms Thomas went on to explain that as the college's Post-16 Capacity Expansion Fund was successful, it is recommended to the F & R committee for the extension to the Art/Social Sciences building to now be placed on hold with the remaining £1,130,000 to be transferred back into the capital spend budget; thus enabling efforts and funds to concentrate solely on the delivery of the new expansion build. The expansion build is for a 4-6 classroom modular building with student independent learning hubs, a 6-7 person staff space, toilets, stores and circulation space afforded by the bid monies and healthy capital spend budget. The committee agreed this to be prudent and sensible due to the tight timeframe, given that the completion date for the expansion build, supported by the bid monies, was August 2022.

Ms Thomas went on to explain that the tender process for the Post-16 Capacity Fund Expansion bid project will commence ASAP. At a previous F & R committee meeting, Mr Dawson, Mr Hosker and Mr Watson had volunteered to join the tender panel alongside Mr Smith-Conor, Ms Thomas and Mr Flynn. Mr Dawson and Mr Hosker confirmed their ongoing willingness to support the college with the tender process. Mr Cropper also offered to join the tender panel. The clerk was tasked with seeking Mr Watson views in light of his absence tonight. It was noted that the tender process will likely to remain virtual given the ongoing health pandemic.

The committee was advised that AHR Architects are managing this project on behalf of the College and AHR are confident that this expansion project will be completed in the required timeframe, given a contingency period has been already built into the planning. AHR have advised the college that the costs for the expansion project should however realistically increase to £1.6 million to ensure that the project's higher specification can be delivered, and that 6 classrooms will definitely be gained with increased GIFA (gross internal floor area) from 550m² to 641m².

Members were informed that the curriculum and / or pastoral usage of this building is yet to be finalised, any decisions made by SLT will be communicated to the F & R Committee via Property Strategy updates. It was noted however that one major positive outcome from this expansion build will be that the pastoral curriculum will be able to be delivered fully onsite again and not the current compromise of 60% onsite delivery and 40% remote delivery, which places us back in line with expected ESFA planned hours delivery guidance for next year.

The improved Extension project will also include making all of the classrooms PC suites. To ensure costs for the improved extension project can be met, the committee was asked to support SLTs request for an additional transfer of £390,490 to the Post-16 Capital Expansion project from the capital spends budget (afforded by the cancelation of the extension project). Of the £390,490 - £239,490 would be used to increase the matched funds, £101,000 for IT and £50,000 for fixtures and fittings.

The committee was advised that the financial risk to the College's cash-flow is low as the Bid funding is being paid on the 20th of each month, based on the profile-spend timeframe as submitted to the DfE at the start of the project. The proposed increase in matched funds was therefore already budgeted for within the extension budget which is now not going ahead.

After due consideration the Committee agreed to the increased matched funds with the adjusted costs totalling £1,609,086 (Bid £1,159,596 Matched funding increased to £449,490) and for the additional spends (£151,000) to purchase the required IT equipment, fixtures and fittings.

It was noted that the remaining budgeted £739,624 of the postponed extension project may also be required to support any escalations in costs associated with the expansion build to ensure deliverability date of August 2022. For it was recognised by all that construction costs were continuing to rise as a consequence of Covid 19.

The committee was advised that the College has completed enrolment for 2021, and day 42 numbers are expected to just miss the increased funded student target of 2780 by 30 (2750). Ms Thomas explained that the expansion bid was based on planned student number growth not actual growth. With this in mind, MS Williams (Chief Accounting Officer) has signed the Terms and Conditions Acceptance Declaration to accept the bid monies on behalf of the College. This was submitted on 18/11/21, ahead of the 19/11/21 deadline. The DfE and ESFA have also been made aware of the proposal to the committee to increase the matched funding element of the project.

Resolved:

- **As the Post-16 Capacity Expansion Fund was successful, it was agreed that the extension project to the Art/Social Sciences building is to now be placed on hold with the remaining £1,130,000 from this capital scheme project to be placed back into the capital spend budget.**
- **For Mr Dawson, Mr Hosker and Mr Cropper to serve on the tender panel alongside Mr Smith-Connor, Ms Thomas and Mr Flynn.**
- **For the Clerk to ascertain whether Mr Watson would also like to serve on the tender panel, given his absence tonight.**
- **For an additional transfer of £390,490 to the Post-16 Capital Expansion project from the capital spend budget (monies made available by the postponed extension project) to ensure costs for the improved expansion project can be met, including making all of the classrooms PC suites (breakdown; £239,490 increase to the matched funds, £101,000 for IT and £50,000 for fixtures and fittings).**

5. Any Other Business.

ESFA Letter & Dashboard:

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 Forecasting Return (CFFR) for 2020/21 to 2022/23 and associated information. The letter confirms that the ESFA concludes that the college's underlying financial health is Outstanding for 2020/21 (the latest outturn forecast year), and Outstanding for 2021/22 (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.**

6. Final Audit Findings Report for the year ended 31st July 2021

Mr Hogg and Ms Dalrymple jointly presented the Final Audit Findings Report which summarises Wylie & Bisset's key findings in connection with the audit of the financial statements of the College and the regularity audit of the College in respect of the year ended 31st July 2021.

Mr Hogg and Ms Dalrymple confirmed that Wylie & Bisset had acted as External Auditors for the College during the year ended 31st July, 2021. In advance of the audit, the Audit Strategy Memorandum was discussed and agreed by the Audit Committee in conjunction with an Engagement Letter at the meeting in September 2021.

Ms Dalrymple explained that remote auditing had again taken place. It was confirmed that the work papers provided by the college for audit were of a good standard and increased the efficiency of the audit testing. The committee thanked Mr Flynn and his Team for their timely submissions to the audit process.

Mr Hogg informed the committee that section 1.2 – outstanding matters – will be removed from the final version of the report which will be reissued post sign off of the members report and financial statements at the Corporation meeting on 16th December 2021. This is not unusual practice or specific action taken against the college but rather a sector wide approach necessitated to ensure completeness of the audit testing.

Furthermore, Mr Hogg stated that Wylie & Bisset anticipate to issue an unmodified audit opinion subject to authorisation of the financial statements by the members of the corporation and clearance of the outstanding matters.

Mr Hogg confirmed that the College's forecasts and financial projections indicate that the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. Based on the work performed, Wylie & Bisset have also not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the college's ability to continue as a going concern. Furthermore, W&B have undertaken an overall review of the governance arrangements and process of internal control in place at the College. Based on their findings, it was confirmed that the College has strong systems in place to comply with governance requirements.

It was noted by the committee that no issues were found with regards to the identified audit risks – revenue recognition, override of internal controls, pension funding and accounting, financial viability regularity and Impact of Covid 19 – resulting in an unmodified audit opinion. Mr Hogg however drew members' attention to the audit recommendations made. There was one recommendation (since downgraded to low priority) carried forward from 2019/20, with four recommendations being satisfactorily concluded. There is also one new low

level recommendation made in relation to the year ended 31 July 2021 regarding use of cheques. The committee was advised that the recommendation had been accepted by management, however immediate action had been taken, with the financial regulations updated to reflect that the college was to no longer use cheques. Ms Williams explained that only a small number of cheques had been issued by the college, which were handed out as gifts to staff to mark long standing service. The auditors confirmed this to be the case hence the low priority status. The committee asked for the audit recommendation to better reflect the low level use of cheques that the recommendation refers to.

Benchmarking data was also included within the audit findings report, the committee were satisfied that the college performed well against other similar organisations in the sector having only attracted 2 low priority recommendations. The benchmark data available indicated that other organisations had attracted low and medium priority recommendations.

Members were therefore satisfied that the audit approach adopted had provided them with the required confidence that a thorough and robust audit had been carried out.

Time was taken to consider the letters of representation and regularity – Mr Hogg explained that the contents of the letters had been updated to reflect the industry changes required by the Regulator. The committee was satisfied with the auditors explanation and therefore ask the Chair of the Corporation and the Principal to sign the letters at the Corporation meeting to be held on 16th December 2021.

Resolved:

- **To record the Committee’s thanks to all staff for the quality of their work, as endorsed by the External Auditors.**
- **That the Audit Findings Report be recommended for approval by the Corporation, subject to the agreed amendments.**
- **That the letter of representations be recommended for approval by the Corporation and signed by the Chair and the Principal.**

Mr Hogg and Ms Dalrymple left the meeting at this point.

7. Financial Statement and Members Report 31st July 2021

Mr Flynn explained that the financial statement and members report had already been considered by the senior leadership team and the external auditors prior to submitting to the committees’ for recommendation of approval to the corporation. The deadline for corporations is to submit their financial statements to ESFA by 31 December 2021.

Mr Flynn advised that the members report supporting the accounts, give a description of some of the key highlights in the figures, with a summary of the College achievements in the year– the report follows set guidelines, but also allows for some degree of flexibility.

Post deliberation, the committee identified a small number of data discrepancies requiring amendments by Mr Flynn in advance of being signed off by the Corporation. Furthermore, time was spent considering whether there should be a specific section within the report relating to Covid 19. The clerk confirmed that the college account directive for 2020/21 did not stipulate that there’s to be specific section dedicated to Covid 19 – unlike last year with reference to Covid being documented throughout the report as necessary, which satisfies the reporting requirements. The committee was in agreement with the report contents but asked for the senior leaders to give consideration to inserting a specific section to better capture the colleges amazing response to date in spending little to achieve so much for staff and students especially in continuing to provide a safe and healthy learning environment for all.

Furthermore, time was spent considering whether the section related to Corporate Social Responsibility should be refocused on Environmental, Social, and Governance (ESG) and how HNC is measuring its ethical impact and

sustainability. The committee was advised that the college was not aware of any required industry specific standards for the education sector but SLT has remained mindful of the impact on the environment with regards to the design and build requirement of the current expansion project. Ms Williams agreed for SLT to revisit this section and would amend as necessary in advance of submitting it for final approval by the Corporation at its meeting on 16th December 2021. Ms Williams asked however for Governors to provide the Clerk with examples of their industry specific measures to better inform the colleges approach going forward towards ESG.

It was noted that the Financial Statements highlighted the unmodified audit opinions in terms of the Financial Statements and the Regularity Audit, the 'Corporate Governance and Internal Control Statement', and the 'Responsibilities of the Members of the Corporation Statement'. All present agreed that the corporation had executed its duties efficiently and effectively. Based on the discussions had around the Annual Report and the Financial Statements, members unanimously agreed that:

- The Corporation can be assured 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'.
- The Corporation believes that it is able to identify any material irregular or improper use of its funds by the college, or non-compliance with the Education Funding Agency's terms and conditions of funding under the college's funding agreement.
- The Corporation is to consider that the College has adequate resources to continue in operational existence for the foreseeable future.

Resolved:

- **To recommend the Financial Statements and Members' Report for approval by the Corporation, subject to the minor amendments agreed.**
- **To forward the Financial Statements and Members' Report to the ESFA following approval by the Corporation.**

8. 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:

- **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**
- **Assurances received that the accommodation available is able to support the delivery of all strategic objectives.**

9. Determination of confidentiality

It was resolved that all papers relating to agenda items 6 and 7 are to be deemed confidential until approved by the Corporation.

10. Date of next meeting: 28th March 2022

(The committee was advised that an earlier meeting may need to be scheduled in January 2022 to receive timely updates regarding the =significant capital schemes).