



HUDDERSFIELD NEW COLLEGE FURTHER EDUCATION CORPORATION

Finance & Resources Committee to be held on Monday 11th March 2019 from 5.00pm.
To convene in the meeting room (downstairs)

Confirmed Minutes

Present: Mr J Dawson, Mr P Cropper, Ms T Wright, Ms J Pryce and Mrs A Williams (100% attendance)

In attendance: Mr Hirst (Agenda item 4 only) and Mr M Smith –Connor.

Clerk: Mrs C Coupland

1. Apologies for Absence/ Declaration of Interest

No apologies were submitted and no declarations of interest were recorded.

2. Minutes from Meeting held on 27th November 2018

Resolved:

- That the minutes be accepted as correct record

3. Matters arising

Pay Negotiations and Pay Awards 2018/19 - Update:

Support staff:

Ms Williams advised the committee that UNISON have agreed to consult their members with a view to agreeing the Employers' Side pay offer for 2018/19. The pay offer being considered is approximately 1.6% (aggregate) and is therefore comfortably within the 2% overall pay award that the college has budgeted for. The UNISON consultation will close on 22nd March which should still be in good time to meet April payroll deadlines; if necessary.

Ms Williams explained that the provisional amended pay spine takes account of the new statutory minimum wage requirements, which take effect from 1st April 2019. The headline offer is therefore as follows:

From 1 September 2018:

- The bottom pay point on the spine will increase by 5.79% to £16,000
- Deletion of pay point 13 and pay point 16
- Pay points 15 to 20 inclusive will receive increases of up to 3.6%
- Pay points 21 to 28 inclusive will receive increases of 1.5% with tapering at pay points 29 to 32 inclusive with increases of 1% to 1.4%.
- Pay point 33 and above will increase by 1%

Teaching Staff:

Ms Williams advised the committee that following detailed discussions on the Staff Side's 5% pay claim the Employers' Side tabled a graduated pay offer to take effect from 1st September 2018 targeting the lowest paid teachers in the sector. The headline offer is as follows:

- 3% increase for the lowest paid teachers on pay points 1 to 6 inclusive
- 1.5% increase for teachers on pay points 7 to 9 inclusive
- 1% increase on management grades and on the leadership pay spine

Members were informed that this offer remains on the table but at this stage an agreement has not been reached. It is understood that the unions are consulting their members on the basis that this is the best achievable deal through negotiation and that they need to be prepared to take strike action if they reject the deal. Colleges are

however being encouraged to recommend acceptance of the deal to their teaching staff and Ms Williams confirmed that she will be addressing this matter at the next Staff meeting.

Resolved:

- **That the report be received**

4. Health and Safety mid-year report

Mr Hirst presented the college's mid-year H&S report to March 2019.

Mr Hirst confirmed that Site Audits continue to take place on a monthly basis covering all sections of the premises; fire doors remain part of the monthly audits and identified shortfalls actioned as high priority. Mr Hirst went on to explain that in February 2019 the college's internal auditors undertook the follow up review of the management action that has been taken in respect of the recommendations arising from previous reviews; this included the Estate management Audit which originally took place in March 2018 and when staff noncompliance with fire doors was first raised. Mr Hirst advised the committee that he is yet to have sight of the report but understands that at the point of the follow up audit, three internal fire doors were noted as being wedged open. It would therefore appear that this continues to be an ongoing issue despite management efforts to date.

The Committee was briefed on the revised action to be taken going forward. Members reported to be suitably assured that the planned approach to be adopted by the college in establishing full compliance of fire door use was comprehensive and achievable within the defined time frame. Members also accepted that the proposed disciplinary action to be taken by the senior leadership team against those that wilfully continued to breach mandatory requirements, regarding the use of fire doors, was fair and proportionate. A further update will be presented to the Committee at its next meeting.

Mr Hirst advised the committee that, as planned, staff practiced lock-in procedures at the inset day held on 3rd February. Departmental feedback has been received and local solutions are being addressed to any points raised. The committee was also informed that Mr Hirst and Mr Knightly (the Safeguarding Director) are to train staff on the 25th March 2019 with a Script and Checklist for the lockdown process; with a view to planning a further lockdown practice for staff and students later in the summer term. The committee welcomed this update.

Building on from discussions held at the last meeting; the Committee noted from the health and safety report that there had been only 3 further incidents reported by the Study Centre since November 2018. This is a marked reduction given that 20 first aid reports had been completed by November 2018. Mr Hirst explained that this was predominately due to effective supportive measures that have since been implemented post discussions between the college and the students' parents and appropriate medical support from external professionals. The committee was satisfied with the information received.

Mr Hirst also advised the committee that from November 2018 to February 2019, 1 Safeguarding referral was initiated on 25.1.2019.

Resolved:

- **That the report be received.**

Mr Hirst left the meeting at this point.

5. 2019/20 Capital Developments (Accommodation)

Mr Smith-Connor informed the Committee of the proposed accommodation improvements for 2019.

Members were advised that the planned budget for all of the summer project works (to be ready for August 2019) is £275k in total. This is based on £100k already placed aside in the 2018/19 budget and the additional £175k 'little extras funding' received by the College in February 2019. This means there is zero financial impact on the 2019/20 planned budgets.

Mr Smith –Connor presented members with details of the priority redevelopment options as well as the management's rationale for the intended accommodation improvements. The Committee recognised the benefits

for students and staff in undertaking such projects and that the intended timeframe for undertaking such works would create minimal disruption to teaching and learning experience.

Mr Smith-Connor explained that the college is however awaiting final costings from the Architects for elements of the works needing to be completed; and should estimates exceed the college's budget then the senior leadership team shall again reassess development priorities. The Committee endorsed the approach to be taken.

Resolved:

- **That the report be received.**

6. Management Accounts for the 7 months ended February 2019:

Ms Williams explained that she had provided regular updates to both Ms Summers (Chair of the Corporation) and Mr J Dawson (Chair of the F&R Committee) on the college's response to securing financial management given Mr Shaw's sickness absence.

Ms Williams affirmed to the committee that Mr Shaw had always kept the college's accounts in excellent order and had always achieved clean audit reports. Unfortunately the college has however struggled to find a suitable replacement since December 2018. Ms Hilary Foster however started as an interim replacement on Wednesday 20th February until the financial year end on 31st July 2019.

Ms Williams briefed that Committee on the key work priorities that Ms Foster has been tasked with. These include:

Bank Reconciliation for December 2018 and January 2019

Management accounts (as of January 2019):

The management accounts are a high priority for two main reasons:

- They need to be provided to Barclays bank in accordance with the loan covenant. Ms Williams confirmed that Barclays bank have been kept updated of the college's current circumstances. The bank has been supportive in its response to the college.
- They are crucial for assessing the projected outturn for 2018-19 and also as the basis for the 2019-20 budget preparation.

Ms Williams explained that the draft management accounts to date require further work on reconciliation to be completed to the usual high standard. Furthermore, Ms Foster needs to now familiarise herself further with the College's operations to ensure that all items of income and expenditure are treated consistently with Mr Shaw's calculations. The Committee asked for all of the outstanding management accounts to be circulated to members as soon as available with an accompanying commentary. It was also agreed necessary for Mr Dawson to be kept updated on developments so as to brief the Corporation at its next meeting; should there be a delay in receiving the accounts.

2019-20 Budget and 2019-21 Forecast:

Ms Williams explained that work needs to continue on this area to ensure HNC has a budget in place for the beginning of 2019-20 and also to ensure that the College is able to submit the forecast to be approved by Governors in the July 2019 meeting to ESFA by the required deadline of 31 July 2019. Ms Williams reminded the committee that an important aspect of this forecasting is the Corporation's direction around the desired Financial Health of the College – this is to be specifically covered in a later agenda item

Business as usual:

Ms Foster has been tasked with the general day to day operation of the finance department including payroll, supervising BACS runs etc. Ms Foster has also been tasked with making operational improvements to financial systems, policies and procedures, as required by a recent internal audit where a number of recommendations have been made. Ms Williams and Ms Pryce provided an overview to the committee on the type of recommendations made by the auditor; all of which are to be accepted by management. The Clerk confirmed that the final audit report and its findings shall be presented to the Audit Committee on 26th March 2019. The Committee agreed it necessary for updates to be provided on the progress made in respect of addressing the audit recommendations – in particular the priority 1 recommendation (high priority).

I&E Account:

Ms Foster is to undertake a full review to determine whether any further items need to be adjusted for when assessing the year-end outturn.

Other Income:

'Nice Little Extras' funding

Ms Williams confirmed to the committee, following on from Mr Shaw's note to the last F&R that as announced in the Chancellor's budget on 29th October 2018, one off funding was promised for schools. SFCs were to be also included alongside secondary schools for a one-off extra capital funding grant. Ms Williams confirmed that £176,847.12 has since been received on 1st February 2019.

Resolved:

- **That the report be received**
- **For the management accounts (with commentary), to be shared with all committee members, once completed.**
- **For the report to be kept informed of progress made on the accepted audit recommendations.**

7. Funding Allocation 2019 – 20

Members were advised that the student numbers as at Day 42 was 2456 and will form the basis for 2019-20 funding. Ms Pryce explained that the increased student number is due to positive recruitment and maintaining the market share within a slightly larger year 11 demographic.

Ms Pryce notified the Committee that the ESFA Allocation Summary for 2019-20 confirms that the Programme funding has therefore increased by £193,158 to £10,066,517; however the college's retention factor has reduced funding by -£79,180. Ms Pryce explained that in 2016/17, the enrolment retention rate was 95.6% and last year, this reduced to 94% which has also impacted negatively on the student retention factor. It was confirmed that the college have strategies in place to support an improvement in retention and a working party is collaboratively acting to implement these strategies effectively.

The committee was also advised that the college has seen an increase in free meals allocation of £14,319, which although positive, is in contrast to the reduction in other disadvantage funding streams for example;

- Disadvantage funding block 1 (economic deprivation) has reduced by -£12,268.
- The disadvantage funding block 2 (English / Maths prior achievement) has reduced by -£87,906 from last year. This reflects the colleges reduced curriculum requirement for GCSE English and Maths as more enrolled students are presenting with a grade 4 in these subjects.

Ms Pryce also advised the committee that the monies allocated for disadvantage funding block 2 (English/Maths prior achievement) totalling £279,906; was still outstanding to the college. Ms Pryce explained that she has been informed by Patricia Wellman (ESFA – Senior Manager, FE Directorate Territorial Team, West Yorkshire) that the omitted payment has been due to errors in the ESFAs validation rules surrounding GCSE English and Maths. It is understood that the validation rules for 2017 to 2018 had not been updated to reflect numeric GCSE grades. The college has therefore been advised to raise a business case and is to submit this before the deadline - 30th April. Ms Pryce confirmed that this has happened to at least three other NORVIC Sixth Form's (so far) and that the CMIS network has also been in over-drive with College's nationally reporting this issue.

The committee acknowledged the small difference of £14,781 in additional funding for an increase of 43 students for next academic year; members therefore agreed it prudent for the Senior Leadership to consider again the current balance in student cohort between levels of study programmes (which at present is ideally 1% on Level 1; 8% on Level 2; 90% on Level 3 and 1% on Level 4+) and the balance within Level 3 study programmes (working towards a balance of no less than 40% Academic/Substantially Academic Level 3 study programmes and no more than 60% Vocational/Substantially Vocational Level 3 study programmes). All present agreed that changes to the student cohort may enable the college to maximise on alternative funding opportunities and other cost efficiencies without compromising on the quality of provision. Ms Williams agreed to keep the committee informed of the senior leadership team's deliberations and ideas at future meetings.

Resolved:

- **That the report be received.**

8. Financial Parameters

The Committee was asked to consider and recommend the financial parameters for the next financial planning period 2019/20 (taking into account the 5 years up to July 2024), considering the current external environment and the rapidly changing College financial situation.

Ms Pryce reminded members that the college is currently still within the two year plan as presented and approved last year (March 2018) but that financial parameters continue to be reviewed annually in advance of finalising the draft financial forecast in June. Members remained considerate that there continues to be reductions in government funding and additional costs to be absorbed, together with inflationary pressures on staff, pensions, taxes and other costs including:

- The Teachers' Pension scheme has been reviewed in April and it is expected that the employers' rate could increase from the current 16.48% to 23+% with a major financial impact. £293k will be funded in 2019/20 but not from 2020/21
- A 2% pay award has been allowed for each year. Any extra 1% would cost another £75k per year and as an independent SFC, the College does not qualify for the Teachers' Pay Grant
- From 2019-20 it is assumed that average scale progressions of about £80k are balanced out by some replacements with lower cost staff
- Other inflationary effects on costs. It has been assumed that other cost budgets will increase in line with student numbers where they vary in this way, and limited to 1% inflation for non fixed type budgets, expecting extra inflation (to the current 2.1% for example) to be absorbed through efficiencies

The Committee considered the proposed variation, submitted by the senior leadership team, to be made to the existing financial health parameter. Ms Pryce explained that management considered it appropriate to include the caveat that the college is to 'just maintain outstanding financial health; but not at all cost' for example a reduction in the quality of provision. The committee agreed that the financial health of the college was not to have a negative impact on the quality of student outcomes or experience and should remain realistic; accurately reflecting the increasing financial pressures. The committee however did not feel it appropriate to insert the condition of 'not at all costs'; but rather keep this specific parameter under review, especially if financial modelling demonstrates that Outstanding rating is not sustainable for the financial forecast period. All present agreed that it may therefore be necessary, to reduce to good financial health. The committee asked Ms Williams to keep members informed on the outcomes of all financial modelling undertaken.

Ms Pryce informed the committee that the Senior Leadership also proposed that the cash level is to be maintained at a minimum of £1.9m (previously £1.4m) for one-off potential major capital developments or extenuating circumstances. Ms Pryce explained that £1.9m is a minimum of 60 cash days. The committee endorsed this request.

Resolved:

- **To recommend to the Corporation the following financial parameters for the next financial period 2019-20 (subject to further review post financial modelling):**
 1. **To just maintain 'Outstanding' financial health**
 2. **To just generate an Operating Surplus**
 3. **To maintain Cash at above £2.1million, but if necessary, allow this to reduce to a minimum of £1.9 million for any agreed required one-off potential major capital developments or extenuating circumstances. (The £1.9million is a minimum of 60 cash days).**

9. BAF assurance Reviews 2018/19:

Poor financial management:

The committee agreed it appropriate to assign red 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 and all high priority audit recommendations need to be satisfactorily addressed. Members asked for a further assurance review to be undertaken at the next meeting in June.

Inaccurate student data and funding claims:

The Committee was confident in the different levels of assurances identified for this specific risk. It was therefore agreed for green assurance level to be assigned.

Resolved:

- **For the Clerk to update the Master BAF with assurance reviews assigned and the action plan agreed.**
- **For a further assurance review of 'poor financial management' to be undertaken at the next committee meeting in June 2019.**

10. Any other Business.

Insolvency Regime – January 2019

The Clerk reminded the Committee that the Corporation has wide responsibilities under statute, regulations and the funding agreement. Principally, it is responsible for ensuring that the College's funds are used only in accordance with the law, its articles of association, and its funding agreement. The board is also responsible for the proper stewardship of those funds, including regularity and propriety, and for ensuring economy, efficiency and effectiveness in their use.

The Clerk advised the committee that the introduction of new insolvency legislation makes it clear how colleges will be managed if they become insolvent, protecting existing learners first and foremost. It will be part of the future intervention framework, allowing colleges to exit the market when appropriate and without unnecessary disadvantage to learners, creditors and taxpayers.

The Clerk explained that whilst the Corporation cannot delegate overall responsibility for the college's funds, it has opted to delegate financial scrutiny and oversight to the finance & resources committee; Key roles and responsibilities delegated to the F&R Committee are to:

- a) Review Monitor the budget and financial forecasts and make recommendations to the advise the Corporation accordingly.
- b) Determine Consider arrangements, where appropriate, for maintaining solvency, safeguarding assets and the effective and efficient use of resources and make recommendations relating thereto advise the Corporation accordingly.

The Committee acknowledged that the Insolvency regime makes clear what best practice to adopt in reducing risk of insolvency. Members were satisfied that practice at HNC demonstrates good financial management with appropriate assurance regularly sought by governors.

Members however identified a number of development opportunities going forward to ensure continued strong financial management. These included:

- For the S&G Committee to continue to recruit Governors / co-optees with good finance skills (identified as a current development opportunity within the Governance QIP 201819)
- For F&R Committee members to regular monitor and review monthly cash flows; not just latest management accounts presented at Committee meetings.
- To ensure that all Governors (not just those with financial backgrounds) are familiar with financial planning and accounting guidance; and to address ongoing individual / board skill gaps as required to ensure that Governors are confident in asking the right questions and seek adequate explanation and advice when finance papers are presented to them.

Resolved:

- **To receive the report**
- **To circulate the beefing to all Governors.**

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:

- **For the Committee to agree on how the outcomes of this meeting have enhanced student outcomes and experience.**
- **The Committee has agreed to viable redevelopment opportunities for the campus in order to strengthen the 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 item 9 are to remain confidential.

13. Date of next meeting: 17th June 2019 from 5pm.