



HUDDERSFIELD NEW COLLEGE FURTHER EDUCATION CORPORATION

Finance & Resources Committee held on Monday 25th June 2019 from 5.00pm.

Confirmed Minutes

Present: Mr J Dawson, Ms A Williams, Ms J Pryce, Ms T Wright
(80% attendance)

In Attendance: Ms H Foster and Mr M Smith-Connor

Clerk: Mrs C Coupland

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

An apology for absence was submitted by Mr P Cropper. The committee was advised by the Clerk that due to personal circumstances Mr Cropper will be absent for some time; members wished Mr Cropper a speedy recovery.

There were no declarations of interest to record.

2. **Minutes from Meeting held on 11th March 2019**

Resolved:

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

3. **Matters arising**

Pay negotiations and Pay Awards 2018/19

Ms Williams advised members that since the last committee meeting a pay agreement had been reached for both teaching and support staff to take effect from 1st September 2018. Ms Williams confirmed that the pay offer agreed is approximately 1.6% (aggregate) and is therefore comfortably within the 2% overall pay award that the college has budgeted for. All payments have been made in March 2019 and May 2019 to support and teaching staff respectively.

All acknowledged that the National Joint Council (NJC) pay negotiations have been difficult to progress, in part due to the impact of a number of external factors, including the ongoing difficult funding challenges faced by the 16 to 19 sector.

Resolved:

- **That the update be received.**

Health & Safety – Fire Doors Compliance

At the last meeting, the Committee was briefed on the action to be taken to establish full compliance in fire door use.

Members were at the time 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.

Mr Smith-Connor advised the Committee that the estates team have since met with all departments ensuring all fire doors are clearly labelled and have been fitted with appropriate hold open devices, keys

or cover plates as requested by staff; Estates have confirmed that all devices are working and that the college is now in a position to challenge any use of wedges or obstructions. To date there have been no reported incidents of non-compliance with the mandatory requirements. The Committee welcomed the feedback and wished to record their thanks to all staff for their co-operation.

Resolved:

- **That the report be received.**

2019/2020 Capital Developments

Mr Smith-Connor advised the committee that the costed proposal for all of the summer project works came in slightly higher than initially planned for given that the developments to the Boiler House is an additional £20k than expected. The college has however been guaranteed that all works (even allowing for contingency timing) will be completed by the start of September 2019.

In response to the revised costings; the senior leadership team have since reassessed priorities and timings for all other campus development and modernisation initiatives. The Committee recognised the benefits for students and staff in committing to all such projects and that the revised timeframe for undertaking all works ensured minimal disruption to teaching and learning experience.

Mr Smith-Connor advised the committee that Mr Hirst, Director of Estates has since left the college. A new Director of Estates has been appointed and is to start August 2019. An interim Project Manager has been contracted to oversee the summer works and to also determine the Planned Maintenance Programme for the college going forward.

Resolved:

- **That the update be received.**

Funding allocation 2019/2020:

Ms Pryce reminded the Committee that in April 2019, the college had raised a business case regarding the absence of Disadvantage funding block 2 (English/Maths prior achievement) in our funding allocation. The college pressed for an early resolution to this query as the basis of the case was the failure of the ESFA's validation rules.

On 7th May 2019, the college received confirmation from the ESFA Enquiry Service that a new allocation statement had been produced with the award of £288,484.

Resolved:

- **That the report be received.**

Risk assurance review: Poor Financial Management

This matter is to be addressed under agenda item 10.

4. Latest Management Accounts

Ms Foster presented the management accounts for May 2019.

The Committee was advised that all current targets are expected to be met by July 2019, with student recruitment 43 above the 2413 funded number. The latest forecast cash position for July 2019 is £2,472k, £233k above budget. The reasons for the variance from the budget of £2,239k were considered and accepted by the committee.

The Committee was also informed that the Income and Expenditure account shows that the year-end surplus is expected to be £36k at the moment; budget controls have been improved and are currently in place to secure the overall financial position. The committee recognised that this is a healthy yearend position for the college; especially considering that the college has experienced a dislocated year in respect of finance oversight given the long term sickness of key senior finance leaders impacting heavily on scrutiny of money management and control.

Resolved:

- **That the report be received.**

5. Annual Budget 2019/20 & Financial Forecast 2019-21

Ms Williams and Ms Foster presented their reports to the committee. Members were advised that this year, only a 2 year forecast is required again. The members were presented the forecast figures in the ESFA format. A commentary on the salient features was also provided including a sensitivity analysis. Ms Foster confirmed that HNC's financial commentary continues to be set to the ESFAs Financial Planning Checklist and provides detailed explanations of assumptions underpinning the financial plan to enable Governors and the Senior Leadership Team to take an informed view about the reasonableness of forecasts prior to approval.

Members took this opportunity to scrutinise the commentary on the salient features. Ms Williams informed the Committee that the proposed budget met the financial parameters of maintaining £2.1million cash, expenditure to not exceed income for any year, and to just maintain 'Outstanding' financial health across the period.

The Committee acknowledged that the FE sector continues to face a number of known and anticipated challenges; the main drivers and assumptions underpinning the financial planning are:

- *Teachers' Pension Increase.*

The employer contribution has increased by 7.2% and this increase has been calculated at £345,000 for 2019-20 for HNC. The college has received confirmation that this increase will be fully funded in 2019-20. The committee agreed to assume that funding will be further received for 2020-21; however all present acknowledged that this needs to still be confirmed by the Government; and that it may be that the college is to bear this cost as of August 2020.

- *Income.*

The ESFA allocation for 2019-20 (lagged funding) whilst giving certainty of income for this year also has its challenges; for all members were mindful that the 40 additional students expected to be submitted on the Day 42 2019 return (given the increased number of acceptances for 2019), will not be funded until 2020-21. The ESFA allocation for 2020-21, will however include the 40 additional students therefore increasing funded numbers from 2456 to 2496; enrolled students will then need to be maintained (at a minimum) at this level thereafter.

Ms Williams also took this opportunity to brief the committee on the loss of the following grant income by 2020/21: Erasmus £43k, T Level Workplace Capacity £100,500 and Basic Maths Premium £35k (total: £178,500). This income loss has been anticipated and planned for by the growth in students numbers by 40 to 2496 (2456 funded) in 2019, meaning an extra £160,000 in the ESFA allocation for 2020-21 and by other efficiency savings in non-pay costs.

- *Expenditure*

Ms Williams explained to the committee that both staffing and non-pay costs have been reduced where possible, whilst being mindful of the need to maintain the quality of experience for students. The committee echoed the senior leadership team's view that efficiency cuts are becoming increasingly difficult as the margin for efficiencies is almost non-existent following year on year savings since 2010. However, members felt it prudent to still account for a 2% Teachers Pay award in the forecast for both years totalling £140,000 p.a to enable HNC to continue to compete in an ever tightening labour market to effectively recruit and retain talented staff.

Members noted that the Income and Expenditure account shows a small operating surplus for 2019-20. The financial health category remains outstanding. It was acknowledged that all college budgets are to remain tight for 2019-20 with a continued need for stronger controls to remain in place around spending. This will be a priority for the new Director of Finance.

Ms Williams stressed that the real financial challenge is planning for 2020-21. Even with an additional 40 students forecast in the ESFA allocation for 2020-21; the forecast initially shows an operating deficit of £118k (increasing to £463,287 should the college have to fund the increased Teachers Pensions Contributions as of 2020/21). To plan for a balanced budget for 2020/21; it was proposed that the

anticipated operating deficit of £118k is to be counteracted by the further growth in students (26 in total) in 2019/20 as well as the anticipated restructuring to the current senior leadership team.

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

Resolved:

- **To recommend approval of the 2 year financial forecast 2019-21 for forwarding onto the ESFA by 31 July 2019**
- **To assess the financial health of the College as ‘Outstanding’**
- **Approve the annual budget for 2019-20, with:**

Income	£11,682k
Expenditure	£11,676k
Operating Surplus	£6k
Capital expenditure	£927k (with £246k capital support)

6. Financial Regulations

Ms Pryce 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.

The Clerk confirmed that the ESFA has again published a self-assessment questionnaire which remains to be a required element of the Regularity Audit. The self-assessment questionnaire will be presented to the Audit Committee for consideration at its next meeting in September 2019. The Clerk explained that the self -assessment questionnaire has been revised in line with the ESFA’s newly introduced anti-fraud checklist. The Committee therefore acknowledged that responses to the self-assessment may initiate a programme of work for 2019/20 to further underpin the robust anti-corruption policies and procedures already in place; which may prompt an earlier review of the Financial Regulations. The committee welcomed an update at a future meeting; as and when necessary.

Resolved:

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

7. Fees and Charges Policy – Annual Review

The Committee noted that the annual review had been undertaken and that no amendments were proposed

Resolved:

- **For the Corporation to note that there are no changes required to the Policy**

8. Business Travel and Expenses Policy – Annual Review

The Committee noted that the annual review had been undertaken and that no amendments were proposed.

Resolved:

- **For the Corporation to note that there are no changes required to the Policy**
- **For the Clerk to distribute the policy to all Governors,**

9. **BAF Assurance Review: Poor Financial Management (opportunity to reassess assurance level)**

The Committee recalled that at its last meeting in March 2019; it was agreed appropriate to assign red assurance to this specific risk given the circumstances at the time.

Members determined that to again secure green assurance in this area, all outstanding management accounts needed to be completed and shared with the committee and all high priority recommendations from the Ordering Receipt and Payment Audit (undertaken in February 2019) needed to be satisfactorily addressed.

Ms Pryce presented the audit tracker to provide assurance to the committee on the progress made to date in implementing the audit recommendations. A template for the supplier bank form was also shared. The committee acknowledged that management accounts were up to date and had been made available to members. It was therefore agreed to reassign green assurance to this risk.

Resolved:

- **To reassign Green assurance to the risk**
- **For the Clerk to update the Master BAF**

10. **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.

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**

11. **Any other Business.**

ESFA Letter (March 2019):

The Committee acknowledged receipt of the letter (dated 21.03.19) from Adrian Brook, Deputy Director Assurance for ESFA. The letter confirms that following a review of the college's financial plan submitted in July 2018 and the audited financial statements and finance record the ESFA concludes that the college's underlying financial health was Outstanding.

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**

Education Policy Institute Publications (May 2019):

The Clerk shared with the Committee the "16-19 Education Funding Trends and implications" report published by the Education Policy Institute (EPI). The report provides the EPI's assessment of the funding squeeze and explores the impact of funding cuts, including how these vary across different types of institutions, groups of pupils and across the country. It also considers how funding has affected the breadth and depth of qualifications, teachers wages in colleges and the quality of 16-19 provision as measured by Ofsted. The report makes clear recommendations for policymakers.

Resolved:

- **That the report be received.**

12. . 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.**

13. Determination of confidentiality

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

For the Financial Forecast and Commentary to be determined as confidential until approved by the Corporation.

15. Date of next meeting: to be agreed