



HUDDERSFIELD NEW COLLEGE FURTHER EDUCATION CORPORATION

Finance & Resources Committee held on 21st October 2019 5.00pm.

Confirmed Minutes

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

In attendance: Mr M Smith-Connor and Ms H Foster (interim Finance Director)

Clerk: Mrs C Coupland

1. Apologies for Absence/ Declaration of Interest

There were no apologies received.

There were no declarations of interest recorded.

2. Minutes from Meeting held on 25th June 2019

Resolved:

- That the minutes be accepted as a correct record

3. Matters arising

2019/20 Capital Developments: Update

Mr Smith-Connor reminded the committee that the total planned budget for summer project works (capital developments 1 and 2) was £277,000. This figure was based on £100,000 already placed aside in the 2018/19 budget and the additional £177,000 'little extras funding' received by the College in February 2019 (this additional allocation had to be spent on capital projects).

Mr Smith-Connor confirmed that the works completed under Capital Development 1 were:

- Boiler House upgraded into one hi-tech theatre space.
- External entrance to the Boiler House theatre redeveloped.
- Toilets and changing facilities installed in the Boiler House theatre.
- New Theatre converted into a university type lecture space. Many of our curriculum areas (and the revamped Aspire programme) can now embed university lecture-style teaching and learning strategies into their delivery models.

The Committee was advised that the planned cost was £196,000 plus £20,000 for new sound and lighting systems, making a total planned investment of £216,000. The projected actual spend is £217,992 as confirmed by AHR who project managed the works (the final invoice from the main contractor, was at the time of the meeting, still pending the completion of the final snagging works over October half term). This comprised £196,642 for the Boiler House works. The new sound and lighting system came in very slightly over budget at £21,350. All works were completed and handed back for College use in accordance with the agreed timeframe no impact on teaching and learning at the start of the year (some minor snagging issues will however be completed over October half term). Members were advised that the cost of opening the College to enable additional working days were covered by the contractor.

Mr Smith-Connor advised the committee that Capital Development 2 was based on the changes in recruitment patterns, requiring certain departments to be re-allocated to strengthen the management and delivery of the curriculum offer and to support increased student numbers. Work completed included the following:

- Re-allocation of rooms for Sport and HSC so each is housed on one dedicated floor of the Sports Hall.
- Construction of an extra Science teaching room and student hub
- Allocation of an additional Humanities designated teaching room to Business and Travel.
- Allocation of a Photography designated classroom to Maths for shared occupancy.
- Creation of an additional classroom from the Media staffroom to house the Social Science expansion. Media staff have moved into the small MFL classroom because there are now only four team members and a technician in Media.

The committee was advised that these works were exceptionally well managed by the college's Project Consultant. The projected cost for these works was £57,000. The final total expenditure on these projects was £58,287. Although this slightly exceeded the allocated budget, Mr Smith-Connor explained that this figure included work which wasn't originally planned for (specifically further remedial work to the Mezzanine floor in Room 505). Again, all works were completed and areas handed back for College use within the agreed timeframe for completion and there was no impact upon teaching and learning.

Mr Smith-Connor confirmed to the Committee that the total planned cost of the capital developments was £273,000 (including VAT); the total final expenditure is projected to be £276,279; the budget set aside for these works was £277,000.

Members were also informed that a third no accommodation cost priority was to house tutorial in bespoke accommodation with IT access. This was achieved by re-allocating the Academic Skills classroom, one English classroom and the Early Years student hub to the Tutorial team.

Resolved:

- **That the report be received**

Estates:

4. Maintenance Programme : Estates Extraordinary Request for Additional Finances October 2019 (Chairs Action)

Mr Smith-Connor took this opportunity to update the F & R Committee on the Chairs action that had been taken in response to SLT's Estates Extraordinary Request for additional finances.

The committee was advised that on 2nd October 2019 Ms Summers (Chair of the Corporation) met with Ms Williams (Principal), Mr Smith-Connor (Vice Principal) and Mr Gary Symms (Estates Director) and was appraised of the challenges facing staff with the Estate. A combination of poor Estate management over time, combined with the heavy rains in September has left estates staff fire-fighting on several fronts. An indicative costs of the most pressing emergency works needed was presented to Ms Summers at this meeting.

Mr Dawson confirmed that Ms Summers, subsequently spoke with him – post meeting. He and Ms Summers were of the view that £100,000 should be drawn from reserves to address the priority items raised and agreed at the meeting. Given the seriousness of the issues identified, the significant health & safety risk, and the adverse impact on the student experience, he and Ms Summers concluded that the only prudent course was to proceed with these works immediately. Mr Dawson explained to the committee that he and Ms Summers were, at that time, reassured that the Senior Leadership Team had a high degree of confidence that all necessary repairs have been identified and it was noted that CIF bids are to be submitted in relation to some of the works (although both he and Ms Summers recognised that there is no guarantee the bids will be successful).

Mr Smith-Connor explained that Ms Summers and Mr Dawson asked for a report to be submitted to the F&R Committee at this meeting to explain the situation and to reflect the discussions had and the agreements made to date. The committee formally received the report presented by Mr Smith-Connor.

All members of the committee endorsed the chairs action taken to date but all expressed disappointment and concern as to the poor level of the reported estate management which has significantly contributed to the difficulties the college now faces. The committee sought assurances on how the senior leadership

team was to ensure that this did not happen again; Ms Williams advised the committee that specialist external audits in future would be commissioned by the college to undertake unannounced 'deep dive' assessments in key areas such as estates, HR, H&S where specialist knowledge and insight would be beneficial to test operational effectiveness and regulatory compliance and advise the senior leadership team accordingly. The committee endorsed this approach to be taken by the college.

Furthermore, the committee was advised that significant changes to the estates team have been made which also has enhanced and secured effective site maintenance going forward.

The Committee also agreed it necessary for Estates Management to be listed as a standing agenda item at all future committee meetings; to enable members to receive and review regular updates on the planned maintenance programme. The Clerk proposed the following term of reference which was agreed by the committee for recommendation to the Corporation in recognition of the additional delegated responsibility:

To ensure appropriate governance and management of estates, including asset management, capital projects, maintenance and repair and facilities management.

Resolved:

- **That the report be received**
- **For updates on the college's maintenance programme to be included as a standing item at all future committee meetings**
- **For the change to the committee's term of reference to be recommended for approval to the Corporation.**

Finance:

5. Year End Management Accounts – July 2019

Ms Foster presented the management accounts for July 2019, the final month of the 2018-19 financial year, which will form the basis of the annual financial statements.

It was noted that the latest forecast cash as at July 2019 of £2,591k, was £351k above the budget. This is £119k higher than reported at the last meeting. The major reasons for the above budget position are mainly due to £55k higher surplus (ignoring cash and one-off items) unspent contingencies and timing differences on Capital projects.

The Income and Expenditure account shows the out-turn deficit of £297k. However this has been adversely affected by £389k (2017-18 £224k) of uncontrollable non-cash costs mainly associated with the WYPF pension scheme (for the 94 support staff members). Without this, the operating surplus would have been £92k, £59k below budget. The Committee was satisfied by this explanation. Members also noted that the WYPF non-cash effects are added back when assessing financial health and therefore the college will continue to be assessed as just 'outstanding' financial health with a score of 260.

Ms Foster explained that the figures presented to the committee are draft subject to final adjustments. Ms Foster explained that there is a known adjustment to be made relating to fixed assets (old IT equipment) which has yet to be quantified (the equivalent adjustment in 2017-18 amounted to a loss on disposal of £27k). There may also be adjustments arising out of the External Audit in week beginning 21 October 2019.

Resolved:

- **That the report be received**

6. Management Accounts – August 2019 and September 2019

Ms Foster presented the management accounts to September 2019.

The Committee was advised that all current targets are expected to be at least met by July 2020, with student enrolment on target to at least meet the 2456 funded number, and that the latest forecast cash position as at July 2020 of £2,242k being £119k above the budget. Variances from the budget of £2,239k were considered by members, these were due to:

- the £119k extra underlying position as at July 2019
- timing differences accounting for this

The Committee was also informed that the Income and Expenditure account shows that the operating surplus is currently expected to be on target at £7,519 but will be reviewed monthly in light of extra transport and exam costs incurred in previous years.

Ms Foster confirmed that the main ESFA funded student number, is currently as at 4th October 2019 116 above previous years moving towards the day 42 census date. In addition, the number of level 5 students are expected to be 14 new first years and 9 continuing into the second year. This is 7 below forecast, with an estimated reduction in income of £33k.

Members were also informed of other income strands for one off funding grants to be received in 2019/20 including, Basic Maths Premium, Centre of Excellence (level 2 maths) and Erasmus Foreign Exchange Funding.

The Committee was advised that the contingency summary shows £90k still remaining. Two staff members are currently on long term sickness absence.

Members recalled that the pay award contingency is 2% (cost £140k) for all staff from 1st September for 2019-20. The committee was advised that early bids from the Unions make the arguments for parity with pay rates for school teachers, particularly at the top of the main scale. But it remains unlikely that independent sixth form colleges will receive any government funding to support teacher pay awards, as suggested for schools and academies.

Ms Foster also reminded the committee that as mentioned at a previous meeting, there are still other cost increases due in the next few years in relation to staffing. For example, the Teachers Pension Scheme, which was due to be revalued in April 2019 could result in raised employer contribution rates – however the results of 2019 valuation is not yet known as the Actuary is still working through the calculations. The current employer contribution rate of 16.48% is likely to increase to 23.6% from September 2019, adding a further £345k per year cost for the College. The SFCA has indicated that the DfE would fund the increase for 2019/20 (to March 2021) but there has been no commitment beyond that.

Ms Foster confirmed to members that the draft forecast 2020-22 will be formulated, based on Day 42 student numbers and including factor upgrades as and when they become available. The Financial parameters for this forecast from 2019-21 onwards were recommended by the committee and subsequently approved by the corporation in March 2019, as continuing:

- To just maintain 'Outstanding' financial health,
- To just generate an Operating surplus
- To maintain cash levels at above £2.1million, but allow to reduce to £1.4million with agreed capital developments.

The parameters will be reviewed again by the committee in March 2020. As always, the main driver of the financial plan is student numbers

Resolved:

- **That the report be received**
- **For the college to draft 2020-22 financial forecast, based on Day 42 2019-20 actual student numbers when this is realised.**

7. Financial Regulations: resubmission

The Clerk reminded the Committee that in June 2019 it undertook the annual review of college's Financial Regulations. The Committee's recommended changes to the regulations were approved by the corporation in July 2019.

The Clerk explained that the Financial Regulations have been subjected to a further review in light of the recent successful cyber attacks on the college. The Audit committee at their last meeting (8th October

2019) instructed for the college's financial regulations to accurately reflect the expectations of the ESFA, as cited within the Post 16 Audit Code of Practice, with regards to reporting significant instances of fraud. The Clerk advised the Committee that the Post 16 Audit Code of practice states:

"Corporations must have procedures in place to ensure any suspected or discovered instance of fraud, theft, bribery, corruption, irregularity, major weakness or breakdown in the accounting or other control framework are identifiable. Where identified, corporations must inform the chair of the audit committee, external auditors and internal auditors (if applicable) as soon as practically possible. ESFA must also be informed when the amounts are significant, that is exceeding £10,000 in value, as soon as possible".

The Financial Regulations have therefore again been reviewed by Hilary Foster (Interim Financial Director) and by the Clerk. The proposed changes were duly considered by the Committee and recommended for Corporation approval.

Resolved:

- **That the Changes to the college's Financial Regulations be recommended for approval by the Corporation.**

8. Bank mandate signatories

Ms Foster informed the committee that the approved bank signatories needed revising given changes to staff. The Clerk advised members that in July 2019 Mr Dawson, as Chair of the Committee, approved for Ms Foster to make any required changes to the bank mandates.

Ms Foster advised the committee that she had made the following changes to Barclays Bank's mandate:

Removed

Philip Forest (retired Principal)

Stephen Wetton (retired Vice Principal)

Julie France (retired Assistant Principal)

Added

Angela Williams

Marcus Smith Connor

Julie Pryce

Jayne Shaw

Ms Foster also advised the Committee that Mr Andrew Shaw has also been removed from the Yorkshire Bank Signatories and his Bank token has been disabled. Approved signatories are now as follows:

Angela Williams

Marcus Smith Connor

Julie Pryce

Resolved:

- **To approve changes made to the bank mandate signatories**

9. Any other Business.

Finance Director arrangements; Update

Ms Williams took this opportunity to advise the committee on the staffing of the finance team going forward. Members were reminded that Ms Foster joined the college in February 2019 as Interim Finance Director. Initially Ms Foster's contract was to 31st July 2019 but was extended to 31st August 2019 to organise year end accounts. Ms Foster then also agreed to stay on for an additional week to undertake a formal handover with Ms Shaw who was the newly appointed Finance Director taking up post as of 2nd September 2019. Unfortunately Ms Shaw has since decided to leave the college as she is of the opinion that a full time Finance Director is required and she only wishes to work part time. Ms Shaw's last day at the college is 23rd October 2019. In light of Ms Shaw's resignation Ms Foster's contract has been further extended to December 2019 whilst the college is to recruit a permanent Finance Director.

Ms Williams asked for the committee's views on how to best advertise the senior vacancy; Members were of the opinion that the college has struggled to date to recruit successfully to this post. The committee also made it clear that they are keen for the college to fill this vacancy as soon as possible and that in order to attract talented applicants it would be beneficial for the college to employ a recruitment firm to undertake an Executive Search. Ms Williams informed the committee that indicative costs for recommended recruitment firms was in the region of £10k, with the funds needing to be vired from an alternative source to support the recruitment process given that such funds were not available in the recruitment budget. The Committee remained of the view that external professional support was now needed in securing a permanent and long term Finance Director. Members therefore endorsed the college spending in the region of £10k (including VAT) to secure professional advice and support, with the Chair of the Corporation's approval.

10. 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:

- Ability to financially support all elements of the strategic plan for the college.
- Ensuring the Financial viability of the college to continue to provide outstanding outcomes and learning experiences for future students.
- Listening and responding to the staff voice to ensure the continuous and ongoing improvement of the college
- Assurance that the college remains compliant to the conditions of the Funding Agreement and that the colleges funds are used appropriately to benefit all learners.
- Ensuring that the college continues to be a safe learning and working environment for students and staff.

11. Determination of confidentiality

No items were deemed confidential.

- 11. Date of next meeting: Tuesday 26th November 2019. (to be joined by Audit Committee at 6.00pm)**