



HUDDERSFIELD NEW COLLEGE FURTHER EDUCATION CORPORATION

Finance & Resources Committee held on Monday 12th March 2018 from 5.00pm
at Huddersfield New College.

Confirmed Minutes.

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

In attendance: Mr A Shaw

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 28th November 2017

Resolved

- That the minutes be accepted as correct record, subject to agreed amendments.

3. Matters arising

There were no matters arising

4. Latest Management Accounts for the seven months ended February 2018.

Mr Shaw presented the management accounts to February 2018.

The Committee was advised that all current targets are expected to be met by July 2018 with student recruitment 63 above the 2348 funded number. The latest forecast cash position as at July 2018 of £2,270k is £1k above budget. Variances from the budget of £2,269k were considered by members:

- the £160k extra underlying position as at 31 July 2017,
- less £94k to pay for the unexpected asbestos work in Summer 2017
- less the extra £30k for extra transport shuttle services to Huddersfield town centre and an extra 7 days of student contact days for 2017-18.
- Less an extra £35k of property strategy costs set aside for the current year.

The Committee was also informed that the Income and Expenditure account shows that the surplus is expected to be £30k below the budget of £93k.

Mr Shaw confirmed that student retention is still holding up after a positive enrolment. The funded target was exceeded by 61 by October 16th – Day 42 census date. This could generate an extra £268k of lagged funding for 2018-19. Mr Shaw explained that the extra 61 students have been able to be staffed within the agreed staffing budget of £7912k. Within this, there is still the 1% pay award assumption from 1 September. The support staff pay award was agreed at an increase of 1% with slightly higher increases for lower scales 13 to 20. The teachers' pay award was then agreed by the end of February 2018 at an average increase of 1.13%, with those on lower scales receiving a 2% increase. The overall extra cost of pay awards is about £12k for teachers and £3k for support, which should be just absorbable in the staff budget.

The committee considered a number of other factors, as explained by Mr Shaw and Ms Pryce, which will offset the extra student funding for 2018-19 - namely - being more lower funded 18+ students (-£50k), lower course weighting factor (-£46k), maths and English uplift (-£86k), less high need students (-£36k), offset to a degree by better retention (+£53k) and other disadvantage factor (+£27k). The

committee took the time to reflect on the local impact of the 'silent cuts' as well as other growing costs for the sector.

The committee was also advised that the expected number of level 5 students at 25 was exceeded by 4. The additional students will generate an extra £20k from UCLAN. Total income will be £140k with a cash surplus of £1k after an initial capital outlay of £61K. Members were advised that for its second year in 2018-19, this could generate up to £191k of income for an estimated 40 students.

Mr Shaw and Ms Williams informed the committee that the ESFA is piloting the introduction of T levels from 2020-21 for a very small number of colleges. As such, colleges with Tech levels that could become T levels have been allocated 'Capacity and Delivery' funding for 2018-19, based on the number of potential Tech students that colleges had during the 2017-18 year on Applied Generals (503 in our case). 503 Tech students draw in £125,750 funding to support costs in association with this exploration/ development of better employer engagement across April 2018 to July 2019. There is no clawback mechanism for these monies, or separate accountability framework for this funding. It is part of the strategy of the government to pump prime T levels development.

Mr Shaw informed the Committee that there is £133k of contingencies still remaining. Two staff are currently on long term sickness absence, with the absence cover contingency currently being £9k over budget. In addition, £265k has been put on one side, which together with £235k from 2018-19 budgets, will allow for potential property developments:

- to create 4 extra teaching spaces by Sep 2019 (3 for Sep 2018) in the design, psychology and media areas, which will then allow regrouping of curriculum areas, including Sport, H&SC, Maths & Science, Performing arts & Media, and create a base for tutorial.
- In addition, central dining space will be expanded into the library, to help overcrowding in those areas, with the library function combining with the Guidance areas. Funding from the retendered catering service will support costs of these works, estimated to be around £100k.

Resolved:

- **That the report be received.**

5. Funding Allocation

Members were advised that the student numbers as at Day 42 was 2413 and will form the basis for 2018-19 funding. Mr Shaw also notified the Committee of the ESFA Allocation Summary for 2018-19 (received on 26th February 2018) which confirms the following:

- Programme funding of £10,241,580 for 2018-19 for 2413 students
- ESFA High Needs funding of £282,000 for 47 students
- Student Financial Support funding of 389,513 being £255,655 for Student Bursary funds (2017-18: £241,868) and £133,858 for Free Meals (2017-18: £129,790).

Mr Shaw explained that comparison between 2018-19 funding and that of the current year 2017-18 shows that the increased £130,000 funding for next year is mainly due to:

- 65 more funded students, 2348 to 2413 (£268k)
- Improving retention in 2017-18 to 96.2% (£53k)
- Improving disadvantage factor 4.45% to 4.73% (£27k)

Offset by:

- Worsening course weighting factor 2.9% to 2.4% (£46k)
- Increasing reduced funded 18+ students to 262 of (£50k)
- Worsening maths/ English uplift factor 0.325 to 0.242 (£86k) (£53k notified last year for 2018-19)
- 6 less high needs students @ £6k each (£36k)

Mr Shaw confirmed that the EFA funding now forms the basis for the 2018-20 financial plan.

Resolved:

- **That the report be received.**

6. Financial Parameters 2018-20

The Committee was asked to consider the financial parameters for the next financial planning period 2018-20, in light of the current external environment, the changing college situation and the planned strategic direction of the college going forward.

Mr Shaw reminded the committee that financial parameters are reviewed annually in advance of finalising the draft financial forecast in June. Members were considerate that over the last few years there have been continued reductions in government funding and additional costs to absorb, together with inflationary pressures on staff, pensions, taxes and other costs. Other funding and extra cost pressures also need to be taken into account from 2018-19, being:

- The Teachers' Pensions scheme will be reviewed in April 2019. It is expected that the employers' rate could increase from the current 16.48% to between 18 and 19%, which would cost between £65k and £110k extra from 2019-20.
- Only a 1% pay award has been allowed for each year. Any extra 1% would cost another £75k per year.
- 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, expecting extra inflation (to the current 2.1% for example) to be absorbed through efficiencies.

Mr Shaw explained that in addition to the funding and extra costs pressures there are also potential capital developments to consider:

- Expand student social space into the library area by relocating the library to the Guidance Centre to ease overcrowding at peak times in social areas
- Create 4 extra classroom spaces to accommodate an extra 100 students up to 2500
- Relocate certain curriculum areas to strengthen both the management and the delivery of the curriculum offer, and to support the increase in numbers. These will include Design to move to Art, Maths to move to Science, Humanities to move to free up the Sports building for Sport and Health & Social Care, Business & Travel to be fully accommodated in the Business building with Humanities, and Media to move to Performing Arts.
- House tutorial in decent accommodation with IT access so the programme can be delivered effectively.

Mr Shaw confirmed that budget costs are £500k for September 2018, split between 2017-18 and 2018-19 financial years, together with £100k costs for the social spaces to be funded through the catering function re-tender for August 2018, and £100k costs for September 2019. Major elements for creation of 2 classrooms in the current workshop, relocation of a reduced workshop element into the IT building next to the Art department, expansion into the current library space and the reconfiguring of science staff areas will be tendered before Easter. Tender returns will be due back by the start of May (for opening by SLT members in the presence of a Corporation member). Mr Shaw explained that in terms of being able to accommodate 89 extra students up to 2500, the cost of the project would have a payback of 6 years; This is even ignoring the curriculum and other benefits of the project as mentioned above.

The Committee was reminded that the main theme of the College Strategic plan 2018-2020 focuses around maintaining the enrolment of student numbers at the September 2017 level, implying an increase in total student numbers from 2400 to a maximum of 2500 by day 42 in October (whilst maintaining the same 60/40 split between students studying predominately vocational and academic courses). Members recognised that student numbers are the key risk factor for sensitivity but accepted that forecasting on 2,500 was appropriate and achievable given all current known factors including trend data and modelling progression rates.

Mr Shaw presented the methodology for financial health assessment to the committee and explained that with a score of 250 expected at 31 July 2018, the College is currently just 'outstanding' financial health. Mr Shaw explained to the committee that the draft financial model shows how 'outstanding' is maintained through 2018-2020 until 2023. It was acknowledged however that the draft model is based on global assumptions from 2019-2020, with no remedial action suggested and that the major driving factor behind the whole 'base' case model is the natural increase to 2500 students by day 42 in October 2018.

From the Committee's deliberations – it was agreed that the College appears to be able to continue to maintain the three parameters as last approved by the Corporation in March 2017, for the period 2018-2020.

Resolved:

- **To recommend to the Corporation that the existing financial parameters are maintained for the period 2018-20:**
 - *To just maintain 'Outstanding' financial health*
 - *To just generate an Operating Surplus*
 - *To maintain Cash at above £2.1million, but allow this to reduce to £1.4million for agreed required potential major developments.*
7. **BAF assurance Reviews:**
- i) **Poor Financial Management**
 - ii) **Inaccurate student data and funding claims.**

The Committee was confident in the different levels of assurances identified for the two risks presented it was agreed for green assurance levels to be assigned to these particular risks.

Resolved:

- **To assign green overall assurance to the risks**
- **For the Clerk to update the Master BAF**

8. **Any other Business.**

FE commissioner's reports for Kirklees College and Bradford College.

The Clerk drew the committee's attention to the recently published FE Commissioner's reports on the colleges' capability and capacity to make required changes and improvements to leadership and management, board oversight, risk management and financial management and control.

The Clerk confirmed that she and Mr Shaw are to undertake a robust review of the Corporation's current financial reporting arrangements against the recommendations listed within the Commissioner's reports in order to provide assurance on the effectiveness of Governor oversight of finance and risk at HNC. The outcome of the review shall be reported back to the committee at its next meeting.

Resolved:

- **That the reports be received.**

9. **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:

Resolved:

- **Scrutiny of management accounts and assurance testing ensure the sustained financial viability of the college.**
- **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**

10. **Determination of confidentiality**

The supporting papers for agenda item 7 were deemed to be confidential.

13. **Date of next meeting: Monday 18th June 2018.**