

# HNC FURTHER EDUCATION CORPORATION

Finance & Resources Committee Meeting held on 21<sup>st</sup> June 2023 from  
5pm via Teams



## Confirmed Minutes

**Present:** Mr J Dawson (Chair), Mr T Hosker, Mr P Cropper, and Mr M Smith-Connor  
(attendance 100%)

**In attendance:** Mr J Flynn.

**Clerk:** Mrs C Coupland

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

No apologies for absence were recorded. No declarations of interest were made.

The Clerk confirmed that Mr Smith-Connor will be joining the meeting late due to his attendance at SFCA summer conference.

The Clerk advised the committee that Mr D Watson – the committee's co-opted member – had resigned from his role with immediate effect due to relocation and change in personal circumstances. The committee wished to record their thanks in the minutes for Mr Watson's contributions to committee decisions during his tenure.

### **2. Minutes from Meeting held on 20<sup>th</sup> March 2023**

That they be accepted as a true record.

### **3. Matters arising**

There were no matters arising.

## **Finance:**

### **4. Latest Management accounts May 2023**

Mr Flynn presented the monthly management accounts for May 2023.

The Committee was advised that all current targets are expected to be met by July 2023. It was confirmed to the committee that the overall operating surplus to date is £487k compared to a budgeted surplus of £74k – a favourable variance overall against income of £151k. The latest forecast surplus for July 2023 is to be £120k against a budgeted surplus of £89k. The forecasted surplus is after the inclusion of 'one-off' severance costs of £120k and repayment of grant income (£133k: 16-19 Tuition Fund and T levels). High Needs income will be less than expected (£43.7k) (fewer high needs students) and Investment income (bank interest) will also be higher than budget by approximately £124k.

Members were advised that cash held as at 31<sup>st</sup> May 2023 was £4.493m (Cash as at 30<sup>th</sup> April was £4.633m); the forecasted cash position to year end is that a balance of £4.124m will be held as at 31.07.23. Mr Flynn explained that the improved cash position is as a result of: a healthy brought forward

cash position from 2021-22; capital expenditure taking place later than expected; receipt of ESFA grant income for the modular building; an additional DFC allocation (of £134k) received in December 2022; and the receipt in April of additional DfE Capital funding (FERCA: Further Education Re-Classification Allocation) of £453k

The committee was reminded that 'Cash' includes cash in hand, the main current account, short-term investments, the foreign currency account and other bank accounts.

Mr Flynn confirmed to the committee that the management accounts for April 2023 were provided to the bank in mid-May and were then discussed with the college's Barclays Bank Relationship Manager. The next and final set of management accounts (draft outturn) will be provided in August for July 2023.

Members were also advised that the student number target for 2022/23 is 2,760 (estimated funded student number – day 42 2,667). The difference of 85 students for the funding allocation in 2023/24 has been adjusted and built into budget forecasts going forward.

Mr Flynn confirmed that the budget for 2023/24 and forecasts for the following year are to be considered under agenda item 5. The budget will then be approved at the next meeting of Corporation in July. Once approved, the budget, forecasts and Commentary (with key assumptions) will be sent to the ESFA in the form of the CFFR return. Submission ahead of the July 31st deadline for the CFFR return is expected.

The committee was advised that based on the current management accounts forecast, financial health is expected to remain as outstanding to July 2023.

Mr Flynn advised the committee of the areas of underspend including but not limited to overstaffing and non-pay expenditure (operating costs).

Mr Flynn explained that following ONS re-classification, the college's main ESFA grant profile has changed with the main grant now being paid in equal parts per period. This funding profile will continue for next year meaning that the traditional dip in funding in March will no longer exist

Mr Flynn confirmed that a final pay award for operational staff (average 5.48%) is included in actuals and forecast to year-end. An interim pay award (average 5.25%) is included for teaching staff and SLT within costs to date following the recommendation by the SFCA and recommendation made by Corporation. It was explained by Mr Flynn that, as advised by the external auditors, if a final teachers pay award is agreed and can be calculated exactly this will be included in the teaching staff and SLT pay costs within the financial year. However, if a final pay award for teachers is not agreed and cannot be calculated with accuracy, then the cost will not be included in 2022/23 and a note will be included in our Statement of Accounts (with the missing cost being treated as a contingent liability). If this happens, then teaching costs will be understated in 2022/23 and money will have to be found next year to fund a final pay award. Time was spent discussing the merits of reflecting the costs of any final pay award as an accrual (rather than as a contingent liability) with disclosure made within the accounts relating to the estimates. It was noted however that if the pay award was not finalised in advance of year end then it would be appropriate and prudent to follow advice from the external auditors.

The committee asked to record their thanks to Mr Flynn for the continued timeliness of monthly management accounts.

**Resolved:**

- That the management accounts for May 2023 be received

*Mr Smith-Connor joined the meeting at this point.*

## **5. Revenue budget 2023/24 and forecasts for 2024/25**

Mr Flynn presented his report to the committee.

Mr Flynn explained that the College Financial Planning Handbook sets out the Education and Skills Funding Agency's (ESFA's) financial planning requirements for sixth-form (SF) and further education (FE) college corporations. He asked the Committee to review SLTs drafts of the college's submissions for the College Financial Forecasting Return (CFFR).

Mr Flynn confirmed that the CFFR incorporates an outturn statement for the year 2022 - 2023 and revenue budget plans for 2023 to 2024 and forecast for 2024 to 2025.

### *College financial forecasting return – current year 2022 to 2023*

The committee was satisfied that the actuals and forecast for the current year reflect the college's financial performance. It was noted that it was substantively based on actual transactions to May 2023, though with an element of forecasting to year end.

### *College financial forecasting returns– budget forecast years 2023 to 2024 and 2024 to 2025.*

Mr Flynn explained that the budget forecasts for the years 2023/24 and 2024/25 aim to give a realistic view of the corporation's expected financial performance of the college. The Committee agreed that the forecasting returns appropriately reflect the cost of implementing the corporation's strategy including income, expenditure, balances and cash flows associated with projected levels of activity.

The committee concentrated on the assumptions underlying the 2023/24 and 2024/25 years to understand SLTs explanations as to why these assumptions have been adopted, it was noted that 5% was assumed for staff pay awards.

Mr Smith-Connor joined the meeting at this point and provided the up to date information gleaned from the conference with regards to pay awards from the NJC representatives present. Mr Smith-Connor explained that the SFCA is of the view that the 2022/23 pay settlement for teaching staff has now ended; there is the understanding that moving forward discussions are to concentrate on 2023/24 only – there will therefore be no further movement on the interim pay award already implemented. Further discussions had on future pay awards also indicated that the possible starting point for negotiation from the unions would be to seek a match with the School Teachers' Review Body (STRB) recommendations of 6.5%. Mr Smith-Connor explained that a significant number of college leaders present at the meeting had however made it clear that this was not a realistic starting point; with a cap needing to be at or around 3% (3.5% maximum). If final proposals were to exceed this amount many colleges may need to adopt local pay agreements due to unaffordability of implementing the national recommendations. Mr Smith-Connor also explained that college leaders had been advised by the SFCA to expect a 5% increase in employer pension contributions. SFCA advised that this increase may be funded for sixth form colleges and GFEs (as it will be for academies) but we are to await further confirmation from DfE. Given this information, the committee was of the view that it was necessary for senior leaders to discuss this matter further and revisit the pay award assumptions (with modelling) underlying the budget and the forecast, as necessary, for further presentation to the corporation meeting.

The Committee endorsed the other major assumptions underlying the formulation of the 2 year financial forecast. It was noted that one of the budget assumptions titled 'premise property strategy' dropped significantly in terms of the forecast expenditure (from £58k current year to £10k 2023/24 and 8k

2024/25). Mr Flynn explained that this has historically been an underused contingency with very little spend being made against it. It was therefore felt appropriate by the senior leaders to reduce rather than remove the contingency at this stage. The committee agreed with the explanation offered.

#### *Financial Health:*

Mr Flynn confirmed that the ESFA is to continue to formally assess the financial health of corporations based on three financial indicators taken from the finance record:

- Solvency
- Performance
- Borrowing

Given that the national funding rate for 2023/24 is now confirmed the college expects to maintain an outstanding financial grade in 2023/24 and aims to be outstanding also in 2024/25. The committee agreed with the financial health self-assessment.

#### *CFFR Submission:*

Mr Flynn explained that the corporation is accountable for ensuring the financial viability of the college, and must regularly assess financial health, resilience and threats to insolvency, considering all relevant information. On final approval by the corporation, the CFFR will be imported into the ESFAs database for the information to be extracted and processed. The accounting officer's declaration within the cover sheet of the database confirms that the corporation has approved the CFFR and that it supports the college's strategic objectives. The accounting officer also confirms that the supporting commentary has been prepared with due regard to the financial planning handbook and the opening cash balances have been reconciled to bank statements.

Mr Flynn confirmed that the supporting commentary, which is to be now drafted for the corporation meeting on 6<sup>th</sup> July 2023, must as a minimum, include:

- a summary of the corporation's strategic objectives
- a description of how the CFFR is consistent with the corporation's strategic objectives
- explanations for significant year-on-year movements in the statement of comprehensive income and balance sheet
- explanations for significant variances between the estimated outturn for the current year and the original budget
- a summary of how risks to cash flow insolvency have been managed and mitigated
- how the corporation plans to service its debt and finance its capital projects
- any other significant matters / factors, such as reclassification related matters (new for 2023)
- sufficient and relevant evidence to support any request to moderate a financial health

#### **Resolved:**

- **For the Corporation to approve the committee's recommendations on the CFFR & Commentary to be submitted to the ESFA on or before 31 July 2023 as per the College Financial Planning Handbook. Submissions of documents include:**
  - **Outturn – year ending 31 July 2023**
  - **Budget – year ending 31 July 2024**
  - **Forecast- year ending 31 July 2025**

- For the Corporation to approve the financial health recommendations on the financial self-assessment part of the CFFR for the college for 2023/24 and 2024/25.
- For the CFFR Commentary (built on the assumptions agreed by the committee) to be submitted to the corporation on 6th July 2023 for final approval before forwarding onto the ESFA by 31 July 2023

## 6. Financial Regulations : Annual Review

Mr Flynn 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.

Mr Flynn explained that the proposed changes to the Financial Regulations were required to better reflect current practice as well as good practice initiatives as highlighted in the recent procurement assurance audit undertaken by the college's internal auditors in May 2023. It was noted that the internal auditor's report has been shared with all members.

The committee was satisfied with the reasonable assurance assigned to this specific audit; it was agreed however to reduce the approved limit for i) purchase of goods or services by purchase order and ii) the requirement for formal tendering procedures for where the estimated purchase value is greater than £50k (excluding VAT) and £60,000 (inc VAT) rather than the proposed £60k and £70k respectively.

The financial regulations have also been updated with additional regulatory and propriety requirements as outlined with the Treasury's Managing Public Money publication on how to handle public funds given the ONS reclassification decision back in November 2022.

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.

### Resolved:

- For the Corporation to approve the changes to the Financial Regulations, subject to the small amendments agreed

## 7. Annual Policy Reviews :

-Fees & charges policy : Annual Review

-Business Travel and Expenses policy: Annual Review

- *Fees and Charges Policy*

The Committee noted that the annual review had been undertaken the proposed amendments were agreed.

- *Business Travel and Expenses Policy – Annual Review*

The Committee noted that the annual review had been undertaken and again approved the amendments proposed.

### Resolved:

- For the changes to the policies to be approved.

## 8. BAF Assurance Review (confidential)

## Estates:

### 9. Significant Capital Schemes - update

#### *Modular Build:*

Mr Flynn advised the committee that the new modular building is complete (apart from the lift) and the College now has full possession. Internally, classrooms, social spaces, corridors, staff areas and toilets are complete and furnished some snagging works are still to be completed. The committee was advised, on being asked, that all snagging works were not related to health and safety issues.

Externally, cladding of the building is complete together with associated groundworks. The compound area has also been cleared and is being used for staff and student parking. All IT and mains services are also in place and functioning. The committee was advised that the passenger lift will be installed in late June/early July 2023.

All DfE capital grant (£1,159,596) has now been claimed and paid with the exception of the final grant payment (£57,980) that is paid 12 months after practical completion (June 2024). Mr Flynn confirmed that the college is in the process of providing final certification of completion to the DfE. The BREEAM certificate is also expected to be received once the reassessment has been undertaken.

It was also noted by Mr Flynn that as no VAT was included within the construction costs the college is unable to let out the building for 10 years.

#### *DFC allocation - £71,919*

Mr Flynn advised the committee that the college had received notification that it is to receive Devolved Formula Capital (DFC) of £71,919. The college expects to receive this annual capital allocation in June 2023.

#### *Devolved Formula Capital (DFC) – Energy Efficiency measures £134,288*

Additional capital funding was also received in December 2022 for improvement of energy efficiency in the College totalling £134,288. Mr Flynn confirmed that this funding is to be used to replace old energy inefficient boilers in Sport, the main boiler house and performing arts areas. These boilers are at the end of their useful lives.

The committee was in agreement that any remaining funding will be used to replace lighting with LED lighting in priority areas.

It was noted that all these improvements to be made to improve energy efficiency will support the college's sustainability strategy (agenda item 10) and strategic priorities.

#### *Additional Capital Funding. Further Education Re-Classification Allocation (FERCA) £453,445*

Mr Flynn advised the committee that additional funding of £453,445, received in April, can be used for capital investment and can be rolled over in the event that it cannot be spent this year. The committee endorsed the senior leadership's intention to use this funding along, with our annual DFC allocation, to enhance site security (additional fencing and new car park barrier) thereby improving safeguarding at the College as well as also replacing the fire alarm system (and emergency lighting) if sufficient funds are available.

#### **Resolved:**

- That the report be received.

## **10. Sustainability : Building a Strategy**

The Clerk reminded the committee that a revised version of the AoC Code of Good Governance for English Colleges (September 2021) has been made available for colleges to take account of.

A key change is the introduction of Environmental Sustainability principle. All principle expectations are 'should' not 'must' and as with any other principle or expectation, this will be on a 'comply or explain' basis. It also very much focuses on environmental sustainability.

Whilst the code expectations are not mandatory, work within this area will be key in supporting the college's strategic goal regarding shaping a better future which commits HNC to becoming a sector leading green college working towards net zero emissions (balancing the carbon emitted with the carbon absorbed) by 2038.

The Clerk advised members that the overarching sustainability strategic framework continues to be drafted however the following progress has been made:

- ESG policy has been written for implementation in the new academic year
- Lead staff are working with Trident Utilities (the college's energy consultants) to determine the base line of energy consumption to best inform future data analysis.
- The intention is to create a carbon accounting dashboard with all retrievable input data to enable the governors and staff (and students) to track progress made on improvement targets that are to be agreed to help the college work towards net zero by 2038.
- All data will also enable HNC to voluntarily report its energy and carbon impacts - Streamlined Energy and Carbon Reporting (SECR).
- Mandatory Staff training on sustainability has been incorporated into the CPD provision for 2023/24
- Efforts are being taken on creating and promoting sustainable travel plans (for staff and students) as well as supporting and funding changes to campus developments to better support environmental and social metrics
- Consideration is also being given on how best to deliver carbon literacy training to all students.
- Under the direction of the national FE climate action roadmap and guidance – the college is to work towards achieving an established status. Efforts are currently concentrating on securing HNC as an emerging college.
- The college is to sign up to a local Climate Action Pledge as a public commitment too.

The committee asked for the sustainability strategy to be presented for consideration at its next meeting and for the final draft of the ESG policy to also be submitted with clear environmental metrics in particular identified. The committee reported to be satisfied with progress being made.

### **Resolved:**

- **That the draft ESG policy be received.**
- **For the sustainability strategy and final draft of the ESG policy to be submitted to the committee at its next meeting.**

Other:

### **11. 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. It was agreed worthwhile to extend the committees terms to identifying, debating the college's response to environment, social metrics as well as to review and scrutinise the Sustainability Strategy, once approved by the corporation.

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**
- **To seek approval from the corporation to extend its terms of reference to identifying and monitoring the college's response to environment, social metrics as well as to review and scrutinise the Sustainability Strategy, once approved by the corporation.**

### **12. Any other Business.**

There was no other business to address

### **13. Learner Impact Reflection**

The impact of discussions and scrutiny of the committees work in improving the outcomes and experience of all learners was considered and the following agreed:

- **Financial KPIs contribute to the effective oversight of college financial performance by governors and other stakeholders and allow judgements and improvements to be made in terms of financial efficiency.**
- **Assurance received that the college is able to financially support all elements of the strategic plan for the college, potentially impacting on all areas of student learning, experience and outcome.**
- **Provision of performance indicator information allows Governors to see how the College will be judged by the ESFA, FE Commissioner and other stakeholders, supports effective oversight of College financial performance and allows judgements and improvements to be made in terms of financial efficiency.**
- **The committee continues to focus, scrutinise, challenge and support the college leadership team in sustaining and improving (where necessary) campus compliance with health and safety requirements.**
- **Critical review of annual performance ensures that the Finance Committee has fulfilled its delegated responsibilities.**



- 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.
- 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

#### **14. Determination of confidentiality**

It was determined that the supporting papers for agenda items 5 (until approved by the Corporation) and the minutes for agenda item 8 are to be determined as confidential.

#### **15. Date of next meeting: To be confirmed.**