

**FINANCE COMMITTEE****Minutes of the meeting held at 1.00pm on Friday 27 January 2017 at the Dewsbury Centre**

Present:	Mr J Williams	Independent member (Chair)
	Mr G Alvy	Independent member
	Ms C George	Independent member
	Mr J Royle	Independent member
	Ms J Durrant	Acting Principal and Chief Executive
Attendance:	5/6 = 83%	[KPI 80%, Quorum 3]
Apologies:	Prof J Thompson	Independent member
In attendance:	Mr D Winward	Clerk to the Corporation
	Ms M Brooke	Acting Deputy Principal
	Ms M Gilluley	Principal Designate
	Mrs R Meara	Director of Finance
	Mr A Oldham	Financial Analyst

*The Chair welcomed Ms Gilluley and Mr Oldham to the meeting.*

**16. Apologies for absence**

Apologies for absence were received as listed above. The Clerk reported the resignation of Co-opted member Carole Hardern. Members wished to record thanks to Ms Hardern for her contribution to the Committee's work over the past 5 years.

**17. Declarations of Interest**

There were no declarations of interest.

**18. Minutes of the previous meeting**

The minutes of the meeting of 18 November 2016 were approved as a correct record.

**19. Matters arising from the previous meeting**

(a) There were no matters arising not covered elsewhere on the agenda.

(b) The Committee received an update on previously agreed actions:

It was clarified that the loan to the West Yorkshire Consortium of Colleges (Minute 58 refers) did not present a conflict between the Memorandum and Articles of the Joint Venture Company and the College.

**20. Financial Regulations: Items requiring approval**

The written report contained no matters for the attention of the Committee under this standing agenda item. However, a matter had arisen since the papers were issued and the Director of Finance sought approval of the award of a new energy supply contract with Corona Energy. This had been procured through the Yorkshire Purchasing Organisation framework and was OJEU complaint. A small saving was anticipated over the current contract with British Gas which would expire at the end of March 2017.

***RESOLVED: to approve the energy contract with Corona Energy.***

## **21. Termly KPI Report: Strategic Objective 6**

The Director of Finance presented the Termly KPI Report on Strategic Objective 6 – “*To ensure the solvency of the College and generate resources to continuously invest in learning and staff*”. She highlighted that:

- cash-flow remained on track and there were sufficient facilities for 2016/17, although work was being done to mitigate an increased risk around the end of March 2017;
- the SFA’s assessment of the College’s Financial Health had been rated as Satisfactory following agreement of capital uplift. Arrangements were in place for quarterly reporting to and monitoring by the SFA;
- the College had requested recognition of the additional costs of its full compliance with the conditions of funding for English & Maths, which had been estimated at some £1.5m in a thorough analysis which had also been shared with AoC;
- the College was seeking support with the LA loan, as recommended by the West Yorkshire Area Review and an application to the Transaction Unit (TU) would be made by March 2017. The Chair suggested an alternative approach which Mrs Meara would discuss with the TU.

Members expressed concern that the 46% target for curriculum area contribution was reported as not being met. The detailed report showed that some of the College’s key areas were significantly below target, partly due to the level of 16-18 recruitment. Mrs Meara responded that this had been identified as risk for the current and subsequent years and curriculum reviews were taking place. It was proposed that this matter should be the subject of further analysis and discussion at March governor development day.

***RESOLVED: to receive the report.***

## **22. Financial Report**

The Director of Finance presented the financial report for the period 1 August 2016 to 31 December 2016. She highlighted that:

- the forecast Operating Surplus for Performance Ratio (OSPR) was RAG rated Amber, as the College faced some challenges in hitting its budgeted income target;
- cash-balances were below forecast but this was explained by the delay to the anticipated sale of the site at New North Road. There were no concerns with underlying cash-flow;
- as reported, the SFA had confirmed moderated uplift to Satisfactory financial health score;
- 16-18 cash and headcount recruitment targets were not likely to be met.

In discussion, members:

- noted that the Education contracts and grants income was currently £110k below target. Mrs Meara reported that the College was working with the Local Authority (LA) and had requested a further £354k for high cost learners. The delay was presenting significant pressure on the Additional Learner Support budget. The Committee recognised that the College could not afford to fund these learners without support from the relevant local authorities and encouraged managers to take a firm position with LA colleagues for a speedy resolution to the College’s current claim and that improvements to future arrangements and timescales should be demanded;

- were assured that the risk to cash-flow in March 2017 was being carefully monitored using a daily tracker and the College was looking to manage the position through maximising project funding claims.

**RESOLVED: to receive the report.**

**23. Estates Report**

**RESOLVED: to declare Minute 23 as confidential under Clause 17(2)(d) of the Instrument of Government.**

**24. Process Manufacturing Centre (PMC) capital project update**

The Director of Finance provided a report on the PMC project financials. Governors had previously been alerted to a risk that the final £100k of grant retention would not be released by the Local Enterprise Partnership (LEP) due to the potential of not being able to adequately demonstrate the value of employer contributions. Following a significant sum being committed by Siemens for hardware and software, this risk had substantially reduced. The report included a table summarising the current position. Confirmation of the LEP's acceptance of the relevant sums was awaited.

**RESOLVED: to receive the report.**

**25. Lloyds Bank credit facility**

Governors were reminded that in order to support the going concern assumption for the 2015/16 accounts, it was necessary to obtain a formal extension to the duration of the Lloyds Bank facility. At its October 2016 meeting, the Corporation delegated authority for the approval of this to the Finance Committee.

The formal offer was presented in the form of an amendment letter from Lloyds Bank dated 5 December 2016. This left the facility at £2.5m, but extended the duration to 31 December 2017. The letter included changes to the covenant definitions to align with the new FRS102 reporting standards. It was noted that the amendment letter requested a response by 31 December 2016 and this expiry date would require extending.

Lloyds Bank also required formal approval of a second legal charge over the Waterfront building and the draft charge was presented to the Committee. This had been approved in principle by the Corporation at its meeting on 7 October 2016.

The College's solicitors, Eversheds LLP, had advised that the inter-creditor agreement between the College, Kirklees Council and Lloyds Bank be approved by the Committee and this document was also presented.

**RESOLVED:**

- i. that the loan facilities in original principal sums of up to £1,500,000 and £3,000,000 arranged with Lloyds Bank plc (the "Bank") in two facility letters dated 24<sup>th</sup> October 2014 (the "Facility Letters") be amended in the manner proposed in a letter from the Bank dated 5<sup>th</sup> December 2016 (the "Amendment Letter");*
- ii. that Mrs R Meara and Mrs J Durrant be authorised to make the necessary arrangements with the Bank and to sign on behalf of the College the Amendment Letter which was produced to the meeting and its terms and conditions approved;*
- iii. to approve the second legal charge over the Waterfront building to Lloyds Bank; and the execution of the document as a Deed under the College Seal;*
- iv. to approve the inter-creditor agreement between the College, Kirklees Council and Lloyds Bank; and the execution of the document as a Deed under the College Seal.*

**26. Apprenticeship reforms**

The Director of Finance presented a report to update the Committee on the actions underway

through the finance work-stream of the College's apprenticeship reforms strategy group. The report demonstrated the potential for significant additional administrative work, with material financial impact.

Mrs Meara explained the work taking place under the 4 strands of the work-stream: contracting, pricing, modelling and systems & processes. The Committee noted the significant implications and challenges highlighted in the paper, including that on cash-flow. It was suggested that further information on this could be included as part of the March governor development day and that regular updates on progress should be provided.

***RESOLVED: to receive the report.***

**27. Publication of Papers and Declaration of Confidentiality**

***RESOLVED: that the papers relating to Estates, Strategic Objective update and Apprenticeship reforms report be declared confidential under Clause 17(2)(d) of the Instrument of Government.***

**28. Date of next meeting**

Friday 24 March 2017, 1.00pm at the Huddersfield Centre.