

FINANCE COMMITTEE**Minutes of the meeting held at 1.00pm on Friday 24 March 2017 at the Huddersfield Centre**

Present:	Mr J Williams	Independent member (Chair)
	Mr G Alvy	Independent member
	Ms C George	Independent member
	Mr J Royle	Independent member
	Ms M Gilluley	Principal and Chief Executive

Attendance:	5/6 = 83%	[KPI 80%, Quorum 3]
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Apologies:	Prof J Thompson	Independent member
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In attendance:	Mr D Winward	Clerk to the Corporation
	Mrs R Meara	Director of Finance

Apologies:	Ms M Brooke	Vice Principal
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29. Apologies for absence

Apologies for absence were received as listed above.

30. Declarations of Interest

There were no declarations of interest.

31. Minutes of the previous meeting

The minutes of the meeting of 27 January 2017 were approved as a correct record.

32. Matters arising from the previous meeting

- (a) **Financial Report. Minute 22 refers.** The Director of Finance reported that a further £420k had been agreed for learners with high needs from Kirklees Council. The College had experienced difficulties with some local authorities (LAs) in agreeing the level and timing of payments. A discussion ensued in which it was suggested that the detail within the contracts should be reviewed and that a firm line should be taken with LAs.
- (b) **Lloyds Bank Credit Facility. Minute 25 refers.** It was reported that the Legal Charge and Intercreditor Agreement had been signed by the College. The LA's approval had been omitted from the agenda at the relevant council meeting and so the charge could not yet be signed and sealed. This position was expected to be rectified in early May.
- (c) **Estates Report. Minute 23 refers.** Members expressed concern that no information had yet been provided on the escalating legal costs of the Dewsbury Learning Quarter and a report on this was requested as soon as possible.

ACTION: A report on the legal costs of the DLQ project to be provided as soon as possible.
- (d) **Additional Costs of English & maths compliance. Minute 21 refers.** In response to a question, Mrs Meara reported that the analysis work which had been shared with the AoC and EFA would be used as part of the College's case for learner number mitigation for 2017/18.

- (e) **Process Manufacturing Centre. Minute 24 refers.** In response to a question, it was reported that the College was confident that the LEP's acceptance of the level of employer contributions would be obtained.

Update on agreed actions

The Committee received an update on previously agreed actions:

- (f) **Comparative data relating to Student Survey results** had been included in the latest report on Strategic Objective 3 as requested and so this action was cleared.

33. Financial Regulations: Items requiring approval

The Committee was asked to approve an order for £150k to Staffflex Ltd for high needs additional learner support agency costs, funded from additional income secured from Kirklees Council for this purpose.

Members questioned how reliant the College was on Staffflex, whether the service was evaluated and whether any conflict of interest existed. It was reported that other agencies were also used for the recruitment of agency staff. Governors noted that the Vice Principal had reported to the QPS Committee that the Staffflex Partnership was to be reviewed. The Committee requested that a report be provided on the findings of the review, to include the details of the contractual arrangements and Value for Money.

RESOLVED: to approve the payment to Staffflex Ltd.

ACTION: A report on the outcomes of the review of the Staffflex Partnership to be provided to the Committee.

34. Financial Report

The Director of Finance presented the financial report for the period 1 August 2016 to 31 January 2017. The content of the report had been largely superseded by the more up-to-date position reported in the budget review paper which was to be considered at this meeting. However, she highlighted the 3 'Red-rated' risks as the impact of lower than expected 16-18 recruitment on income levels, the shortfalls on the tuition fee budget and the additional costs relating to consultancy support and agency staff for English & maths delivery.

Mrs Meara also reported that the staff costs to income ratio was above target due to the shortfalls in income not being matched by proportionate reductions in staffing costs; and that the financial report had been updated to include information on the quarterly test of banking covenant compliance which was required by Lloyds Bank.

A further discussion ensued on the funding for learners with an Educational Health and Care Plan (EHCP). Mrs Meara clarified that not all students with an EHCP were high needs learners. The LA had paid for all high needs students; it was the others with EHCPs but with support needs under £6,000 that were high volume but individually very costly. Members suggested that a report should be provided for the Corporation to better understand the position. This would enable to governors to support management to take a firm line in future negotiations.

RESOLVED: to receive the report.

ACTION: The Director of Finance to provide a report for Corporation on funding for learners with EHCPs.

35. Mid-year Budget Review

The Director of Finance presented the proposed mid-year budget review in a report which set out the movements in income and expenditure, and outlined the key sensitivities and assumptions. The paper presented the worst case scenario which included a reduction in the forecast Operation Surplus for Performance Ratio (OSPR) by £752k against the original target.

This was primarily due to a reduction across all income streams, despite the continued tight control on staffing and revenue costs. The detailed variations and key sensitivities were documented within the report.

In an extensive discussion, members:

- questioned whether the assumptions on enrolment had been over-optimistic. Mrs Meara responded that robust planning processes had been applied and the College had been confident that the curriculum plan would be achievable. A significant factor had been the impact of complying with English & maths conditions of funding; it had been calculated that the College had lost 143 students directly as a result of non-progression / retention. This had led to a significant reduction in funding. The Principal reported that in recent weeks she had met with every Head of Department (HoD) to review performance and had questioned the validity of targets. In all cases HoDs believed that the targets, at the time they were set, would be achievable. Each HoD had been challenged to look at the curriculum offer, progression and marketing;
- were informed that the apprenticeships reforms had presented a difficult challenge for the College. No assumptions had been made about apprenticeships enrolments from 1 May 2017 and so the position was expected to improve;
- noted that they had not previously been aware of the significant shift in adult enrolment. Mrs Meara responded that the College had lost ground in adult enrolments but new strategies were starting to improve the position.

Other matters discussed included the position on community provision, European funding and additional income. It was accepted that there was a need to look at the categorisation of income.

Concern was expressed regarding the reduced contribution of some curriculum areas, in particular Engineering and Health & Social Care. Members also noted that the overall financial position might impact on the SFA's assessment of financial health.

The Director of Finance reported that she had shared the latest position with Lloyds Bank, which had noted that the College was still forecasting an operating surplus. She assured the Committee that banking covenants would be met for 2016/17 and there were no underlying concerns with cash-flow, but that this wouldn't be the case in 2017/18

The Principal reported that planning for 2017/18 had already commenced, with the intention to set challenging but achievable targets, aiming for growth. There would inevitably be implications for staffing resources; the focus would be to prioritise potential growth areas.

RESOLVED: to recommend to the Corporation approval of the revised budget for 2016/17.

36. Fees Policy

The Director of Finance presented the proposed Fees Policy for 2017/18 which had been developed by the cross-college fees group. The revised policy included a new section to reflect the Apprenticeship reforms and the new HE fee structure.

No changes were proposed for FE fees, which was consistent with the financial plan. FE Loan fees would be aligned with the current SFA published rates. Apprenticeships fees were proposed at upper end of the scale in the light of the substantial cut in funding available. In response to a question about competition, Mrs Meara reported that the focus was to maintain the quality of provision to avoid reputational risk.

RESOLVED: to recommend to the Corporation approval of the Fees Policy for 2017/18.

37. Lloyds Bank arrangements

Governors were asked to approve an amendment to the Bank Mandate to reflect the change of signatories due to the appointment of the new Principal.

The Committee was asked to formally approve that the Director of Finance be authorised as the sole signatory to drawdown requests against the Lloyds Bank Revolving Credit Facility authorised by the Committee in October 2014. This was in order to clarify authorities and assist the finance team in the management of cashflow.

RESOLVED:

- i. to approve the amendment to the Bank Mandate as presented;**
- ii. to authorise the Director of Finance as the sole signatory to drawdown requests against the Lloyds Bank Revolving Credit Facility approved in October 2014.**

38. Application to Transaction Unit

RESOLVED: to declare Minute 38 as confidential under Clause 17(2)(d) of the Instrument of Government.

39. Strategic Objective 3 (Estates) KPI update

The Committee received a report on progress against Strategic Objective 3 KPIs.

RESOLVED: to receive the report.

40. Estates Report

RESOLVED: to declare Minute 40 as confidential under Clause 17(2)(d) of the Instrument of Government.

41. Pioneer House Contractor Procurement

The Vice Principal had provided a paper which sought approval to use the SCAPE Procurement Framework for the selection of the contractor for the fit-out works on the Pioneer Centre. The SCAPE frameworks were OJEU compliant and would allow tendering using the frameworks to ensure best value.

The Committee discussed the benefits of using the framework and wanted to be assured that the College would achieve best value and quality. The Chair noted the clear benefits of using the minor works framework.

RESOLVED: to recommend to the Corporation the use of the SCAPE procurement framework for the Pioneer House fit-out works.

42. Publication of Papers and Declaration of Confidentiality

RESOLVED: that the papers relating to Estates be declared confidential under Clause 17(2)(d) of the Instrument of Government.

43. Date of next meeting

Friday 16 June 2017, 2.00pm at the Huddersfield Centre.