Agreed by the Committee 22/7/26

FINANCE COMMITTEE

Minutes of a meeting of the Finance Committee held on Thursday 25 June 2026 starting at 15.00 by teleconference (Microsoft Teams).

PRESENT

Claire McCafferty (Chair)
Richard Cooksey
Kit Davies (Chief Executive)
Paul Harte (Group Finance Director)

IN ATTENDANCE

Lizzie Jones (Corporate Services Director)
Lorna McCallum (Executive Director-Apprenticeships and Partnerships)
Robert Dale (Company Secretary)

ITEM 1A: APOLOGIES FOR ABSENCE

- Philip Moore.

ITEM 1B: DECLARATIONS OF INTEREST

- None.

ITEM 1C: MINUTES OF THE PREVIOUS MEETING

- Minutes of the meeting held on 16 April 2026 were approved as a true record of proceedings.

ITEM 1D: MATTERS ARISING

- Actions identified in these minutes had been addressed as follows:
  - Reflect on incorporating different/additional data analysis and business insights into future management accounts reporting. **Action under way**. This work was ongoing with further examples in the papers for this meeting.
  - Arrange a meeting with the Committee Chair to discuss how to approach a refreshed report with enhanced analysis/presentational features for the Committee. The Committee Chair will also provide, for consideration and discussion, some examples of how the 'top-level' financial information might also be presented. **Action under way**. The Chair and Finance Director were arranging to meet.
  - Publish the latest version of the Financial Regulations on Sharepoint. **Action complete**. The updated version of the Financial Regulations had been published on Sharepoint and the older version taken down.

ITEM 2: DRAFT 2026/27 BUSINESS PLAN AND BUDGET (INCLUDING CAPITAL EXPENDITURE SCHEDULE)

- The Finance Committee reviewed the proposed budget for 2026/27. This forecast a surplus for 2026/27 of £1.3m compared with a forecast out-turn for 2025/26 of between

£1.5m and £1.7m. The projected lower surplus arose because of investments being proposed to develop the curriculum and corporate service support functions as well as financial headwinds that affect several revenue lines.

- Thus, while 16-18 revenue would rise to c£26.5m, Adult Skills Fund (ASF) revenue was falling by £1.3m (with a net effect of c£0.5m), Apprenticeships revenue by c£250k and Higher Education revenue by c£0.5m as the volume of sub-contracted learners with CECOS was reduced as planned. Other income (including bank interest) was forecast to fall by c£125k – mainly because of lower cash holdings following the capital investments made in 2025/26. Overall, income would grow by c5% year-on-year from c£37m to c£35m.

- Pay costs were proposed to increase by c£2.9m to c£24.1m. This growth incorporated the cost of the consolidated 2025/26 pay award (4% from 1 February 2026), the extra cost of employer national insurance contributions, staff recruitment to support learner number growth, and budget provision for a pay award in 2026/27. This would raise the pay ratio to 68.6%, but would represent a 'worst case' position.

- However, the actual position would probably be lower because: (a) a lower pay award than budgeted for might be made – at this point, the Association of College's (AoC) pay recommendation was not known; and (b) not all the new posts assumed in the budget might be appointed or appointed immediately. Taking account of these elements, the more likely pay ratio would be 66.8%, closer to the Further Education Commissioner's benchmark of 65%. This had, in any event, not changed for many years and did not take account of the growth in student with additional needs, which always required a greater proportion of staff support.

- In contrast, non-pay costs were projected to fall by c5.5% overall. This mainly reflected a reduction in lease costs associated with the exit from Units 1 to 5 and the move to the Town Centre Campus.

- The projected EBITDA for 2026/27 would be £3m (compared with the Q3 2025/26 position of £3.1m).

- The proposed budget included a capital investment element, and governors noted that there were two extra funding bids in progress, the outcomes of which were uncertain. This would continue the strong programme of investment in our estate and infrastructure that has taken place over the past five years.

- The forecast Financial Health Rating based on this proposed budget was Outstanding.

Question: *Had the proposed budget been stress-tested against downside risks such as a higher AoC pay recommendation than assumed?* The budget included a contingency provision of c£500k which provided some protection against risks. In respect of the specific pay award risk, this was considered very unlikely. Current feedback from AoC confirmed that a joint submission with the Trades Unions was being made to the Secretary of State, and this was noting that several colleges could not afford any pay award at all, particularly those with more diverse delivery programmes (as funding increases had been limited to 16-18 study programme funding). Any recommendation was likely to be in the 2% to 4% range. As noted, because the pay cost line assumed that all posts would be appointed immediately and there would be no in-year turnover, there was also some built-in margin in the pay cost line, on top of the contingency.

- Governors noted that in the medium term, there were revenue risks and limits that would begin to limit opportunities. For example, ASF was being capped at the allocation rather than allowing for over-delivery (as NHC had benefited from this year). Increased devolution of funding arrangements was also likely to constrain this area.

Similarly, as the HE sub-contract arrangements with CECOS came to an end in 2026/27, growth in HE revenue would be limited.

- Nonetheless, Governors recognised the proposed budget provided a strong foundation for the coming year; stress testing was important but there were a large number of moving parts to consider for both the coming year and the medium term. Incorporating a contingency provision would also provide some protection.

Question: *What were the biggest risks to revenue and cost lines and how could these be mitigated?* There were a number of risks, both short and longer term. 16-18 study programme income was secure for 2026/27 and there was likely to be some scope for growth beyond that although demographic factors would start to affect this by 2029/30. While Stevenage was in the top quartile for growth in this age-group at present, that would shift in the coming three to five years. In the interim, temporary facilities to cope with the higher numbers would be needed, which was driving (a) capital investment bids for temporary accommodation to support construction and SEND; (b) a longer timetable specially at the Town Centre campus from08.30 to 17.30; and (c) continued work to create a new engineering facility. As this was a real gap at present, it was felt less likely to be affected by demographic decline. Apprenticeship revenue was always more uncertain than other lines, but the budget was cautious and delivery plans had a reasonable prospect of exceeding the budget assumption. ASF was probably the biggest area of risk. For next year, this would be about ensuring delivery to fulfil the financial allocation, but there was now a good track record with both internal, sub-contractors and partners. Because over-delivery would no longer attract additional funding, there would be a need to monitor progress even more tightly to avoid the risk of under-delivery and possible clawback. SEND was cost-hungry provision and could also negatively impact the staff cost ratio, as noted above the FEC benchmark took no account of the enormous increase in need over the past five years.

- Governors suggested including a section in the paper to go to the Board considering key risks and mitigations, perhaps in the form of a table. Otherwise, the Finance Committee agreed to recommend the proposed 2026/27 budget to the Board.

Action: Include a section summarising key budget risks and mitigations in the paper presentation made to the Board.

- **The Finance Committee recommended** the 2026/27 Budget to the Board.

ITEM 3: P10 (MAY 2026) MANAGEMENT ACCOUNTS REPORT

- The Finance Committee discussed the P10 Management Accounts report (the P9 report had been included in its meeting pack). There was a positive position year-to-date and an improved year-end forecast of a surplus of between £1.5m and £1.7m. This was higher than the Q2 reforecast of £0.9m and reflects the confirmation of additional in-year funding of c£600k (not known at the time of the earlier re-forecast). There were some risks to the forecast, but these were mostly upside.

- All elements of financial health (cash, EBITDA, revenue and costs) were healthy and the Financial Health Rating for 2025/26 is expected to be at least Good. The Committee also noted that according to the Association of Colleges recent finance update “15 (8%) fewer colleges anticipate a budget with 6% EBITDA in 2025/26 compared to 2024/25 which means the majority (58%) of colleges set revenue budgets considered by DfE to “require improvement”.” This helped to set the NHC position in context.

- The Finance Committee was content with the position shown in the Management Accounts report which positioned the organisation well for 2026/27.

- **The Finance Committee accepted** the report.

ITEM 4: MAJOR PROJECTS REPORT 2025/26

- The Committee welcomed the report that progress with the refurbishment of the Town Centre Campus (TCC) remained on track for handover on 11 August. Works had also begun to address dilapidations at Fulton Close, with Units 4 and 5 already having been stripped out and Units 1to 3 being handed over on 29 June. UC Build were the contractors here and also aiming for a handover in the second half of August, giving time for inspection by the landlord, and any necessary negotiation over differences in expectations. There were know to be some variances in what the landlord's surveyors thought was necessary, and what our surveyors thought was necessary, with the largest area of potential dispute being roofing works to Units 4 and 5.

- The Committee was interested to learn of the contact made by Weston College (one of the Advanced Manufacturing TECs, which had selected NHC as one of its delivery partners (because of our links with and proximity to manufacturers such as Airbus, with which Weston College already worked in Bristol. A relationship with Weston College would provide access to their well-established apprenticeship expertise as well as some potential capital funding. They had already provided information about the kind of equipment needed to support relevant delivery programmes with a price tag of c£2m. The CEO was meeting Stevenage Borough Council to continue discussions about the long-standing engineering facility project.

Question: *Would this mean supporting delivery at Airbus or Weston College facilities around Bristol?* No, the different Airbus sites had different functions, but the link would help NHC get its programmes and potential new facility off the ground much faster because it could access existing expertise. This would also help Weston to show growth as NHC developed a programme from scratch. The Committee noted that Weston College had around 700 engineering apprentices alone. This area was a big national priority and could become even more significant as defence spending increased and changed focus.

- **The Finance Committee accepted** the report.

ITEM 5: PROPOSED CALENDAR OF MEETINGS 2026/27

- The Committee reviewed and approved the proposed meeting schedule for 2026/27 together with an outline agenda schedule.

- **The Finance Committee approved** the proposed calendar of meetings for 2026/27.

ITEM 6: ANY OTHER BUSINESS

- None.

ITEM 7: DATE OF NEXT MEETING

- The next meeting was scheduled to take place on Thursday 30 July 2026, starting at 15.00, by videoconference (Microsoft Teams).

ACTION LOG

Meeting	Minute Reference	Summary of Action	Who	When
05/02/26	2.	Reflect on incorporating different/additional data analysis and business insights into future management accounts reporting	Paul Harte	31/05/26
05/02/26	2.	Arrange a meeting with the Committee Chair to discuss how to approach a refreshed report with enhanced analysis/presentational features for the Committee.	Paul Harte	31/05/26
25/06/26	2.	Include a section summarising key budget risks and mitigations in the paper presentation made to the Board.	Paul Harte	29/06/26