

Kirklees College Corporation

FINANCE COMMITTEE

Minutes of the Finance Committee meeting held on Friday 3rd May 2019 at 2pm in Room B 05.010 at the Huddersfield Centre

Present:

Ms C George	Independent member
Ms M Gilluley	Principal & Chief Executive
Mr G Hetherington	Independent member
Mr H Linn	Independent member (meeting Chair)
Mr J Royle	Independent member
Mr M Varyani	Independent member

Attendance: 7/8 = 87.5% [KPI 80%]
[Quorum 3]

Apologies: Mr J Williams

In attendance:	Ms M Bagshaw	Interim Clerk to the Corporation
	Mrs R Meara	Director of Finance
	Mr A Oldham	Financial Controller
	Ms A Clegg	Financial Controller
	Mr E Croston	Co-opted Advisor (Kirklees Council)

Apologies: Mr A McConnell Co-opted Advisor

1. APOLOGIES FOR ABSENCE

Apologies for absence were received as listed above. In the absence of Mr J Williams, the Committee Chair, it was agreed that Mr H Linn would Chair the meeting.

2. DECLARATIONS OF INTEREST

Standing declarations were noted and Mr Hetherington repeated his declaration of interest regarding the sale of the Holmfirth Centre, as a personal friend of the prospective purchaser. It was agreed that he would step out the meeting when discussions on this agenda item took place.

3. MINUTES OF THE MEETING HELD ON 15TH MARCH 2019

The minutes were reviewed and it was agreed that they were an accurate record of discussions.

AGREED: to approve the minutes of the meeting held on 15th March 2019.

There were no matters arising that did not already appear on the agenda.

4. FINANCIAL RECOVERY UPDATE

The Principal introduced this item and provided an update in a number of areas.

1) ESFA Case Conference

She confirmed that the most recent case conference with the ESFA took place yesterday and that there were no representatives who attended from the FE Commissioner team. She expressed the view that this is a positive indicator regarding their continued perception of college risk.

She advised that a concern raised with the ESFA was in relation to the apprenticeship allocations for 19/20. She explained that, as things stand, there are currently insufficient funds available nationally and therefore the message from the ESFA to the sector is that there will be restrictions. The allocations received are less than the Colleges plans and less than the current position would warrant. She indicated that the ESFA are sympathetic and have invited the College to put forward a business plan to support additional allocation, however they have clearly indicated that there are no guarantees. They have advised that there may be opportunities in August 2019, however this is not particularly helpful for the College in terms of planning, marketing, enrolment etc. She explained that the colleges first commitment is to continuing learners and thereafter what remains will support new learners. She indicated that the clear message to the college and to the sector is that any over recruitment post April 2019 is very much at the colleges own risk as there is no certainty regarding funding. She confirmed that this aspect of the colleges strategy and income will now move much higher on the colleges risk register.

She informed the Committee that the senior team were taking a two strand approach and this is;

- a) What can be done to increase the current allocation, &
- b) What does the college need to do if no increase is likely or anticipated.

She confirmed that the restrictions on allocations is in no way related to college performance and is purely a government policy that the college has to respond to. It was explained that, as things stand, there is an allocation short fall against a stand still position of circa £500k.

The Director of Finance reminded that the Committee that employer contributions have also reduced down to 5% from 10% and that this is another negative impact for colleges as there is no intention that government funded allocations will make up the difference.

On the basis of the anticipated restrictions the Committee questioned how many young people the college may have to turn away. The Principal advised that the specifics were not yet known and that there is a piece of work to do to model this. The Committee indicated that they would like the College to coordinate data and review the impact across the region as they felt that this would be a much stronger political motivator to lobby for change.

2) Transformation Project

The Committee were advised that the Tribal report has now been reviewed by relevant managers. It is very detailed and comprehensive and managers have been working through the detail. Key matters brought to the Committee's attention were:

- Their report includes a range of observations, from the minor to the major, and it is now for the college to prioritise actions to be taken
- There are clearly some operational changes to be made
- There are some system issues to address
- They have found that there has been a lack of a strategic focus on systems historically and this needs to be addressed
- Current processes and systems include duplication and inefficiencies
- The time spent doing 'work around the systems' is disproportionate and a drain

She confirmed that a summary of the issues identified would be included in a future report to the Board. She explained that the college is still at the scoping stage following review but that the intention is to develop an operational plan with involvement of current service managers who are responding to the comments made in the report. Short, medium and long term actions are being identified. Some will be undertaken quickly, whilst others will be led by the appointments to the new roles identified. A key part of the rationale for the new roles of Executive Director of College Information Systems and the new Vice Principal, Corporate Systems, was to provide the leadership both strategically and operationally for the change project.

3) Restructuring Fund Application

It was confirmed that all loan and grant monies that the college is eligible to receive have now been received and that the next action is the Q3 monitoring return. The two remaining conditions subsequent to the loan are;

- a) The delivery of a strategy for growth in full cost income by July 2019, and

- b) The College to use reasonable endeavours to facilitate an inter lender agreement between the LEP, Council and DFE by the end of December 2019.

In relation to the latter, the Executive Finance Director confirmed that the ESFA and the TU accept that this is not something that the College has control over. Mr E Croston indicated that, from an LA perspective, the proposal seems acceptable in principle however they are waiting to hear from the LEP on their position.

It was noted that the college also has to provide all evidence of the capital expenditure made which aligns with the restructuring fund application.

AGREED: to note the content of the update provided.

5. FINANCIAL REGULATIONS – ITEMS REQUIRING APPROVAL

The Executive Finance Director presented her written report and confirmed that there were no matters requiring approval which fall within items 1-6 as set out. She advised that there will be a report in relation to an item 6 payment at the next meeting, however this has not been processed in advance of this meeting.

AGREED: to note the content of the update provided.

6. MONTHLY FINANCIAL REPORT TO 31ST MARCH 2019

It was agreed that discussions on this item would be recorded on a confidential basis.

7. TREASURY MANAGEMENT POLICY

The Finance Director introduced this item and key matters noted were;

- The Treasury Management Policy was last updated in 2014. For the last few years cash balances have been typically very low and the college has not been in a position to invest surplus cash, so the updating of the policy has not been a priority. During this time however the elements of the policy relating to borrowings and reporting have been observed.
- Since the college has received restructuring fund support cash balances have been substantially higher and have at times exceeded the £5 million threshold for cash holdings in our clearing bank (specified on page 12 of the policy). At the last finance Committee meeting a refresh of this policy was promised.

On review of the policy it remains largely fit for purpose but has been refreshed and updated to reflect changes in college management structures, loan facilities and operational procedures. Changes have also been made to align with proposed bank mandate changes which is scheduled for discussion later in the meeting.

- Lloyds bank have advised that they intend to commence transaction based charging from now on, until now day to day banking services have been free of charge. They have advised that this change should have been made in 2015 but, due to their error, this was never actioned. Because banking services had been free there has been no imperative to market test banking services, however in light of the change market testing is proposed during the next financial year and is referenced on page 13 of the policy.
- The Committee were asked to consider page 16 in detail and the impact of recent online requirement changes regarding batch values rather than individual transaction values. She explained that this was causing operational difficulties and hence the changes proposed. The Committee carefully considered the paragraph headed 'transmission of funds' and were satisfied that the changes proposed were necessary for operational efficiency reasons.

AGREED:

- a) to note the content of the update provided
- b) support the proposal that the cost of banking services be market tested
- c) to approve the updated Treasury Management Policy as presented.

8. REVISION TO BANK MANDATE

The Finance Director introduced her report and explained that, following the changes in the executive team a revision to the bank mandate to remove Melanie Brooke as a signatory is required. She explained that, as part of this revision, college management would like to take the opportunity to make other changes. She explained that these are to overcome operational difficulties and provided assurance that no one member of staff can initiate a payment and also authorise it.

She explained that

- currently a second signatory is required for any payments over £1,000. The finance team are currently experiencing logistical problems with approvals.
- This has arisen due to the college recently being required to move to a new online banking portal with Lloyds bank which applies the £1,000 threshold to a batch of payments rather than individual payments. The impact of this is that there are a much higher volume of batches requiring a second authorisation. Very often members of the exec team are not available or are at different sites. The reduction in the number of exec team members is likely to further exacerbate the position.
- A current signatory is undertaking her CIPFA qualification and there are times when she is off site for 2 days per week and this also exacerbates the position.

She explained that to manage the situation the College management team seeks approval to add Anthony Oldham to the bank mandate.

In considering the proposal the Committee asked why there was a distinction between block A and block B signatories. It was explained that any expenditure above £500k requires an executive to see and sign off. Block B activity is more than just operational matters and can include for example mortgages. A challenge from the Committee was that the Finance Director being in both block A and block B could be a risk and therefore they would not wish to see this remain in the longer term. To support current operational activity they could see the merit in the proposal presented today, but did indicate that once the new Vice Principal is appointed then they would wish to see the Finance Director come out of block B and the Vice Principal be added instead. All agreed that this was a sensible proposal and it was noted that it would require a further change to the bank mandate once the Vice Principal formally joins the College (likely to be towards the end of the summer term or early autumn term in the next academic year).

AGREED: to approve the revisions to the bank mandate as proposed.

9. ESTATES REPORT

It was agreed that discussions on this item would be recorded on a confidential basis.

10. DEWSBURY CAPITAL PROJECT REPORT

The Executive Finance Director presented this report and explained that it is an opportunity for the Committee to influence how the college reports on the capital spend. Particular attention was drawn to graph 2 which shows how much the college is entitled to claim versus the spend. It was explained that the LEP has been paying in advance, to aid college cashflow, and the sums are held as restricted funds. The gap between funds received and those entitled to be claim will become narrower as the project continues. Graph 3 shows the planned cumulative college spend.

Monies already spent are £11,082,181 against a planned budget of £16,011,385. It was explained that there will be a requirement to value engineer the remaining aspects of the project to ensure that the monies remaining are sufficient and there is no overspend. She expressed the view that the project could be brought in on budget, however this would be on the basis of no contingency and usually a project of this size would have a 5% contingency. She confirmed that an updated report to the Committee/Board would be provided once the value engineering exercise has been completed.

AGREED: to note the content of the update provided.

11. ARMITAGE TECHNICAL SCHOOL ENDOWMENT INVESTMENT

The Executive Finance Director presented her report and explained the operational difficulties in accessing dividends from the investment. The Committee considered the options and agreed that, in reality, the only practical solution is to open an account in the name of Armitage Technical School Endowment to receive the distributions.

AGREED:

- a) to note the content of the update provided
- b) approve the opening of a bank account in the name of Armitage Technical School Endowment

12. REVIEW OF AGENDA ITEMS TO DETERMINE ANY MATTERS NOT TO BE PUBLISHED

The Committee considered the agenda items discussed and it was agreed that agenda items 6 and 9 would be recorded on a confidential basis.

13. DATE AND TIME OF NEXT MEETING

The interim Clerk confirmed that the next scheduled meeting was Friday 28th June 2019 at 2pm.

Meeting closed at 4pm.