

Kirklees College Corporation

FINANCE COMMITTEE

Minutes of a meeting held at 14.00 on 22 Nov 19 in room B.05.006, Huddersfield Centre

Present:	Mr J Williams Mr E Croston Ms C George Ms M Gilluley Mr G Hetherington Mr H Linn Mr J Royle Mr M Varyani	Independent member (chair) Co-opted member Independent member Executive member Independent member Independent member Independent member Independent member
Attendance:	8/8 = 100%	KPI 80% Quorum: 3
In attendance:	Mr M Bennington Ms J Green Ms R Meara Ms A Clegg Mr A Oldham	Vice Principal Corporate Operations Clerk to the Corporation Executive Finance Director Financial Controller Financial Analyst

Item	Action/ Report Item
PRELIMINARY ITEMS	
0	WELCOME AND INTRODUCTIONS
i	The chair welcomed everyone and introductions were made. Due notice having been given and a quorum being present, the meeting was declared open.
1	APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST
i	There were no apologies.
ii	All confirmed that they had no direct or indirect interest in any way in the business to be transacted at the meeting, which they were required by the Instrument of Government or otherwise to disclose, other than those matters that had previously been disclosed.
2	APPROVAL OF MINUTES OF THE PREVIOUS MEETING
i	<u>RESOLVED:</u> To approve the minutes of 28 June 2019 as an accurate record.
2(i)	MATTERS ARISING NOT ON THE AGENDA
	<u>Cooling system at the Waterfront Centre - Update</u>
i	Ms M Gilluley ("MG") said a mild summer without excessive heat had reduced the impact of the cooling-system issues but the problem had not gone away and the Head of Estates, Facilities and Security was looking at a longer-term solution that

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ii	<p>could be phased over a number of years. Some money left in provision for the Waterfront building could potentially be used to meet the first year project costs.</p> <p><u>Drainage at Brunel Construction Centre</u></p> <p>The College had engaged with Yorkshire Water and awaited its response in terms of a technical solution. In the meantime, a flood-defence system was being installed.</p>	
<p>2(ii)</p> <p>i</p> <p>ii</p> <p>iii</p> <p>iv</p> <p>v</p> <p>vi</p> <p>vii</p> <p>viii</p> <p>ix</p>	<p>UPDATE ON AGREED ACTIONS</p> <p><u>QPS Committee briefing: Redesign of the AEB and Community Learning Offer</u></p> <p>Management's work on improving the programmes was continuing, so this action would roll over.</p> <p>Action (rolled over): Clerk to add a report on the redesign of the AEB and Community Learning offer to an appropriate Quality, Performance & Standards Committee agenda.</p> <p><u>Armytage's Technical School Endowment – Bank Account</u></p> <p>Due to other priorities, the account had not been opened; the action would roll over.</p> <p>Action (rolled over): A bank account to be opened in the name of Armytage's Technical School Endowment.</p> <p><u>Correspondence regarding Apprenticeship Non-Levy allocations for 2019-20</u></p> <p>MG said correspondence had been sent per the Committee's instructions. To date there had been no response. MG had raised Governors' concerns with the ESFA (Education & Skills Funding Agency) team locally but thought it unlikely that any monies would be unallocated or returned.</p> <p><u>Sale of Wheelwright Centre</u></p> <p>It was noted that the sale of the Wheelwright Centre had completed on 31st October.</p> <p><u>Thanks to Mr A McConnell</u></p> <p>The Clerk, Ms J Green ("JG"), had emailed Mr A McConnell, thanking him for his contributions and confirming that his involvement with the Committee had ended.</p> <p><u>Committee Self-Assessment Report</u></p> <p>This had been completed and the Search & Governance Committee had assured the Corporation that the Finance Committee was compliant with its terms of reference and was discharging its delegated functions appropriately.</p> <p><u>Business Schedule and Meeting Dates</u></p> <p>These had been confirmed and approved at the Corporation meeting.</p>	<p>CGE, JG</p> <p>RM</p>
DECISIONS		
3	<p>REVISION TO BANK MANDATE</p> <p>i</p> <p>Proposed instructions to the bank were presented. Recalling the discussion at the May 2019 meeting regarding the block A and block B signatories, the Committee</p>	

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ii	<p>agreed that, with the recent appointment of Mr M Bennington to the Executive team, the bank mandate should be amended to add him as a signatory. Executive Finance Director Rebecca Meara (“RM”) should revert to being a block A signatory only.</p> <p><u>RESOLVED:</u></p> <p>(i) To approve the following revisions to the bank mandate:</p> <p>a. New Vice Principal Corporate Operations Mr Mark Bennington to be added as a block B signatory;</p> <p>b. Executive Finance Director Rebecca Meara to revert to being a block A signatory only.</p> <p>(ii) To instruct the Clerk to the Corporation to sign the instructions to the bank.</p>	
iii	<p>The instructions to the bank were duly signed.</p>	
4	<p>DRAFT FINANCIAL STATEMENTS AND MEMBERS’ REPORT</p> <p>i The audited draft <i>Members’ Report and Financial Statements</i> were received and discussed. RM said the 2018-19 accounts were on track for formal sign-off.</p> <p>ii The Committee discussed the following key issues:</p> <p><i>This matter is considered to be confidential at this stage and therefore the discussion is recorded in a confidential annex at the end of this document and marked Annex 1.</i></p> <p>v With the Chair’s permission, an additional paper was tabled showing an updated <i>Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheets as at 31 July, Statement of Cash Flows</i>, and notes 12, 13 and 14.</p> <p><u>Actuarial Loss in Respect of the Pension Schemes</u></p> <p>vi Referring to the amended <i>Statement of Comprehensive Income</i>, RM drew attention to an actuarial loss in respect of the pension schemes. Members had expected the adjustment but were surprised at the scale of it. RM said the auditors felt it reflected comparators’ experience and was in line with the sector. A member asked what impact it would have on future contributions and cash flow and RM said the recommended increase was largely in line with the financial plan, as the pension fund was well-managed and investment gains it had made would offset some of the increase in liabilities flowing from the recent pension case judgements.</p> <p>vii Hearing that Further Education (“FE”) colleges had been allocated a ‘high’ risk profile based on historic financial statements and forecasts, the Committee discussed the merits of seeking an enhanced consideration of the College’s risk profile. RM said she had discussed this with an Aon advisor, who said applying for enhanced consideration would cost £9k plus VAT, with substantial work involved to make the application, and could likely yield a saving of around 0.5% per year on the employer contribution rate, however, this could not be guaranteed. She said by the time of the next actuarial valuation, the College would have had three years of improved performance and should be assessed as lower risk anyway.</p> <p>viii Corporation report: The Corporation will see an actuarial loss in respect of the pension schemes reported in the <i>Statement of Comprehensive Income</i>. This has arisen largely due to the impact of some recently decided tribunal cases and a change in the actuarial discount rate assumption and the effects will be seen across</p>	<p>Report Item 1</p>

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ix	<p>the public sector. While the actuarial loss is substantial, the impact on future contributions and cash flow will not be and 'Going Concern' would not be impacted.</p> <p><u>2018-19 Performance</u></p> <p>Referring to the amended <i>Statement of Comprehensive Income</i>, RM said the surplus before the actuarial adjustment had been £3m, compared to a loss of £5.8m last year, i.e. a positive swing of £8.8m. She said within that swing was the Restructuring Facility ("RF") grant the College had received, as well as an increase of £1.04m in FRS102 operating costs which were not controllable. The improvement in the 'controllable' operating position was therefore £3.2m, i.e. the College had achieved the saving it had set out to achieve in its recovery plan.</p>	
x	<p>Corporation report: 2018-19 saw an improvement in the 'controllable' operating position in line with the target set in the College's recovery plan (adjusting for non-controllable operating costs, the receipt of the Restructuring Facility grant money and the actuarial loss in respect of the pension schemes).</p>	Report Item 2
xi	<p><u>EBITDA Outturn</u></p> <p>RM drew attention to a table illustrating EBITDA¹ operating performance throughout the 2018-19 year. She highlighted improvements in income earnings and cost control, as well as the final (draft) outturn. Members recalled that the Corporation had originally set a budget of £3.047m, which it had revised in February on the basis of fee assumptions. RM said the management team had worked hard to control costs and the outturn had been £2.94m, i.e. very close to the original target.</p>	
xii	<p>Corporation report: The cost reductions implemented by management post February 2019 (when the revised budget was adopted) had resulted in substantial savings and the outturn was very close to the original target.</p>	Report Item 3
xiv	<p><u>Solvency Score for Financial Health</u></p> <p><i>This matter is considered to be confidential at this stage and therefore the discussion is recorded in a confidential annex at the end of this document and marked Annex 2.</i></p> <p><u>Post Balance Sheet Event: Sale of the Wheelwright Centre</u></p> <p>The sale of the Wheelwright Centre had been disclosed as a post balance sheet event. As it had now completed, the College would post an impairment reversal to reflect the actual value of the asset (based on a sale price) rather than the reduced value it had been given in the books.</p>	
xiii	<p><u>Pioneer House 125 Year Lease</u></p> <p>RM said since the Committee papers were circulated, the auditor Grant Thornton ("GT") had queried whether the Pioneer House lease should be recognised in the accounts, due to the property being a 'heritage asset' and the long nature of the lease requiring consideration of whether there is a transfer value. RM had emphasised that having raised this at such a late stage, GT would need to move quickly to make a determination, as the accounts needed to be signed off in December if the College was to avoid ESFA Intervention. A member sought clarification of the effects of Intervention and MG explained that it precluded involvement in some ESFA development projects, such as the T Level delivery, as well as for bidding for certain</p>	

¹ Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) is a measure of a business's operating performance which is used by the College in its financial planning and reporting.

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	<p>development money and capital. It also impacted on some tender applications.</p> <p><u>External Audit Fees</u></p> <p><i>This matter is considered to be confidential at this stage and therefore the discussion is recorded in a confidential annex at the end of this document and marked Annex 3.</i></p>	
<p>5</p> <p>i</p> <p>ii</p>	<p>Financial Regulations Approvals</p> <p><u>RESOLVED:</u></p> <p>(i) To approve the two requisitions (Orders 5090 and 5319) particularised in the Executive Director of Finance’s report.</p> <p>(ii) To note the bad debt write offs particularised in the Executive Director of Finance’s report.</p> <p>Corporation Report: The Committee approved two requisitions, the total value of which was £303,777.25. Bad debt write-offs totalling £11,945 were noted. The Committee has no concerns to report.</p>	<p>Report Item 4</p>
Performance Monitoring		
<p>6</p> <p>i</p> <p>ii</p> <p>iii</p> <p>iv</p> <p>v</p> <p>vi</p>	<p>MONTHLY FINANCIAL REPORT TO 31 OCTOBER 2019</p> <p>Financial Analyst Mr A Oldham (“AO”) presented the management accounts. The Committee discussed the assessments of risk particularised in the report and noted that appropriate actions were being implemented. Areas of concern were as follows:</p> <p><u>Apprenticeships Income</u></p> <p>AO advised that an intensive piece of work was underway to establish the scale of any potential shortfall against the apprenticeship income target. He said this was currently ragged as Amber. Activity was profiled across the year and there would be a clearer picture by December. but the level of concern was rising.</p> <p><u>Tuition Fee Budget</u></p> <p>Both Further Education (“FE”) and Higher Education (“HE”) fees were down on profile for year to date. AO said the HE income target would not be achieved but FE loan activity was up, suggesting a differential mix of level three learners enrolling.</p> <p><u>Pay Costs</u></p> <p>The staff to income ratio (a key KPI) was higher than planned, due to the income shortfall and the cost of agency teaching staff. Even though it is very early in the year to begin to draw conclusions on income outturn, members were pleased to hear that steps were being taken to address the risk. AO said now that learner numbers were known, some of the additional part time staff the College had engaged to ensure resilience in staffing could be released. Income line and staff and resource cost data had been shared with Heads of Department and Curriculum Area Managers and meetings would take place to identify actions.</p> <p>Members were referred to the report’s Annex 4 and expressed concern that relatively few curriculum areas were meeting their contribution targets. Again, they were pleased to hear that actions were being taken to address this with relevant managers.</p> <p>Corporation report: Albeit it is early in the year, the overall financial picture is quite positive, with most support budget targets on track to be met. The underperformance</p>	<p>Report Item 5</p>

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	of fee income has put the staff-to-income ratio at risk but work is in progress to address this.	
7	<p>CAPITAL PROJECTS UPDATE</p> <p><i>This matter is considered to be confidential at this stage and therefore the discussion is recorded in a confidential annex at the end of this document and marked Annex 4.</i></p> <p><u>College Capital</u></p> <p>viii A table was considered showing capital bids being carried forward from 2018-19 into 2019-20. RM said these would continue to be monitored through the first term of 2019-20 and the position would be reassessed at Christmas. A total of £34,549 remained from projects where actual costs had come in under allocation and funds that were unallocated in 2018/19. Another table showed funds available for allocation in 2019-20 and a third table showed the approval status of bids received.</p>	
8	<p>SUSTAINABLE BUSINESS BCPIs AND STAFF WELLBEING BCPIs</p> <p>i The BCPIs that fell within the remit of the Finance Committee had been reported at Annex 1 to Item 6.</p> <p><i>This matter is considered to be confidential at this stage and therefore the discussion is recorded in a confidential annex at the end of this document and marked Annex 5.</i></p> <p>iv It was agreed that the BCPIs should form part of monthly financial reports in future.</p>	
9	<p>EDUCATION & SKILLS FUNDING AGENCY FINANCIAL DASHBOARD</p> <p>i RM reminded the Committee that, twice yearly, and on the return of financial information, the EFSA formed an assessment of college financial health. The outcome of the July 2019 review had been included in the meeting papers and members noted that the College's financial health for 2018/19 and 2019/20 had been assessed as 'Requires Improvement' (the rating previously known as 'satisfactory'). This was in line with the College's self-assessment and a significant improvement on the previous position. Debt to income ratio remained the main challenge for the College.</p>	
10	<p>ESTATES REPORT</p> <p>i As reported earlier in the meeting, the sale of the Wheelwright Centre had completed. The Halifax Road site was out to market.</p> <p><i>This matter is considered to be confidential at this stage and therefore the discussion is recorded in a confidential annex at the end of this document and marked Annex 6.</i></p>	
OTHER MATTERS AND ADMINISTRATION		
15.55 Amanda Clegg and Anthony Oldham left the meeting.		
11	<p>PROPOSALS RELATING TO THE TRANSFORMATION PROJECT</p> <p>i With the Chair's permission a confidential paper was tabled regarding a proposed restructure of the Corporate Operations management team, scheduled to commence the following week. By written resolution, the Corporation had delegated to the</p>	

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ii	Committee authority to consider the proposal on its behalf (the Corporation being the employer of the employees who would be affected) and to determine whether any approvals or interventions were necessary or appropriate.	
iii	The meeting discussed the rationale for the restructuring project and the number of posts that would be put at risk, noting that consultation with Governors was essentially a courtesy, the proposal being an operational matter and the projected costs being well within management financial approval limits.	
iv	In response to a question, MG confirmed that all appropriate HR processes would be followed, including consultation with staff representatives.	
iv	Corporation report: At the request of the Corporation, the Committee considered a management proposal to commence restructuring of the Corporate Operations management team, a precursor to further staff restructuring in that area. The Committee was satisfied that the proposal would further the achievement of the financial plan and was aligned with the strategic objectives. It was clarified that appropriate HR procedures would be followed. While the matter does not require Corporation approval, the Committee supports it and has no concerns to raise.	Report Item 7
12	DATE OF NEXT MEETING	
i	Friday 17 January 2019, 14.00	
13	PUBLICATION OF AGENDA PAPERS	
i	All items marked with an asterisk on the meeting Agenda, together with the confidential minutes of the previous meeting, shall not be made public.	
0	THANKS AND CLOSE	
i	The chair thanked everyone for their contributions and the meeting closed at 16:20.	

Items of Report for Corporation

Item	Details	Minute
1	The Corporation will see an actuarial loss in respect of the pension schemes reported in the <i>Statement of Comprehensive Income</i> . This has arisen largely due to the impact of some recently decided tribunal cases and the effects will be seen across the public sector. While the actuarial loss is substantial, the impact on future contributions and cash flow should not be and 'Going Concern' would not be impacted.	4(v) iii
2	2018-19 saw an improvement in the 'controllable' operating position in line with the target set in the College's recovery plan (adjusting for non-controllable operating costs, the receipt of the Restructuring Facility grant money and the actuarial loss in respect of the pension schemes).	4(x)
3	The cost reductions implemented by management post February 2019 (when the revised budget was adopted) had resulted in substantial savings and the outturn was very close to the original target.	4(xii)
4	The Committee approved two requisitions, the total value of which was £303,777.25. Bad debt write-offs totalling £11,945 were noted. The Committee has no concerns to report.	5(ii)
5	Albeit it is early in the year, the overall financial picture is quite positive, with most budget targets on track to be met. The underperformance of fee income has put the staff-to-income ratio at risk; work is in progress to address this.	6(vi)
6	At the request of the Corporation, the Committee considered a management proposal to commence restructuring of the Corporate Operations management team, a precursor to further staff restructuring in that area. The Committee was satisfied that the proposal would further the achievement of the financial plan and was aligned with the strategic objectives. It was clarified that appropriate HR procedures would be followed. While the matter does not require Corporation approval, the Committee supports it and has no concerns to raise.	11(iv)