

Kirklees College Corporation

FINANCE COMMITTEE

Minutes of a meeting held at 2pm on 12 March 2021 via Microsoft Teams videoconference

Present:

Mr H Linn	Independent Member (Chair)
Mr E Croston	Co-opted Member
Ms C George	Independent Member
Ms M Gilluley	Principal & Chief Executive
Mr G Hetherington	Independent Member
Mr J Royle	Independent Member
Mr M Varyani	Independent Member

Attendance: 7/7 = 100% KPI 80% Quorum: 3

In attendance:	Mr M Bennington	Vice Principal Corporate Operations
	Ms A Clegg	Financial Controller
	Ms J Green	Clerk to the Corporation
	Ms B Meara	Executive Finance Director
	Mr A Oldham	Financial Analyst

Item	Action/ Report Item
PRELIMINARY ITEMS	
0.1	NOTICE AND QUORUM
i	The Clerk confirmed that due notice of the meeting had been given, the requirement for all persons participating to be able to communicate with one another was satisfied and the meeting was quorate.
0	WELCOME AND INTRODUCTIONS
i	With no introductions needed the Chair welcomed everyone and declared the meeting open.
1	APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST
i	No apologies had been received.
ii	All confirmed that, other than items previously disclosed and placed on record, they had no direct or indirect interest in any way in the business to be transacted at the meeting which they were required to disclose.
2.0	MINUTES OF THE 20 NOVEMBER 2020 COMMITTEE MEETING
i	<u>RESOLVED:</u> (i) To approve the minutes of 20 November 2020 as an accurate record.
2.1	MATTERS ARISING NOT ON THE AGENDA
i	No matters were raised.

Item	Action/ Report Item
2.2	UPDATE ON AGREED ACTIONS
i	There were no outstanding actions.
BUSINESS OF THE MEETING	
3	MID-YEAR BUDGET REVIEW
i	<p>Executive Finance Director Mrs R Meara (“RM”) said the purpose of her report was to invite the Committee to recommend to Corporation:</p> <ul style="list-style-type: none"> ➤ the approval of some significant mid-year revenue budget changes; and subject thereto, ➤ in light of the sale of Halifax Road and the receipt of Further Education Capital Allocation (“FECA”) funding, that it approve the release of the 2020/21 capital funding that had been retained for cashflow.
ii	<p>She said, assuming the proposed budget changes were approved, the revised budget would form the basis for the next formal returns to the ESFA and Restructuring Fund.</p> <p><u>Proposed budget changes</u></p>
iii	<p>In her report, RM had listed the expected outturn figures for the revised budget alongside those of the original budget agreed in July. The forecast impact on EBITDA¹ was minimal but RM said she hoped it might improve by the end of the year. She had adopted her usual approach of taking a pessimistic view on income and a prudent view on indicative cost savings, with a view to achieving a slight over-performance and Members agreed this was appropriate.</p>
iv	<p>RM had provided a series of detailed notes, explaining the rationale for the various proposed changes (some being quite significant), as well as the basis of assumptions she had made in cases where there were still some unknowns. It was not yet known, for instance, where the Education & Skills Funding Agency would set its tolerance for the achievement of Adult Education Budgets (“AEB”), having reduced it to 68% in 2019/20 and with Adult recruitment down across the sector. A key change to the balance sheet reflected the risk that it would be set at a rate above what the College expected to achieve.</p>
v	<p>At section 6a of her report, RM had provided an illustration of what the balance sheet would look like with the proposed revisions put through. The impact of the sale of Halifax Road was reflected, as was the risk of substantial AEB clawback.</p>
vi	<p>Section 6b contained a graph showing an improving cash forecast position from that forecast in July 2020. RM said solvency was improving, in large part due to the disposal of Halifax Road. The cash days forecast had also improved, as shown in section 6c, for the whole duration of the plan to 2022.</p> <p><u>Implications for the Financial Health Score</u></p>
vii	<p>Members were pleased to hear that the College remained on track to achieve ‘Good’ financial health by 2022 in line with its financial plan. RM said there was still a possibility it could be arrived at earlier, but this was looking less likely due to the expectation of an AEB clawback, which would impact performance and solvency. She cautioned that the forecast 2022 performance shown as a solid red line on the</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.

Item		Action/ Report Item
viii	<p>cashflow graph in section 6b was arrived at simply by applying the same growth assumptions to 2022 as to 2021 and merely gave an indication of the likely direction of travel.</p> <p><u>Proposed release of retained capital funds</u></p> <p>RM reminded the meeting that the retained capital funds had been held back to control for the risk of failing to satisfy a Restructuring Facility (“RF”) loan covenant linked to the ratio of cash generated from operations and investing activities to debt servicing costs (interest and loan repayments). She said the sale of Halifax Road had reduced that risk and modelling the proposed budget figures through the covenant calculation showed (as shown at section 6c of the report) that, for 2020/2021, the covenant could be expected to be met, even if the held back capital funds were released. She said, on that basis, she recommended that they should be, as this would be very beneficial to curriculum leads preparing for September.</p>	
ix	<p>A Member asked whether releasing the held-back capital funds at this point in the year would have any effect on the availability of capital funding in 2021/22. RM said there was no intention to reduce capital funding next year but it was likely that the management team would look at the timing of approvals and release of funds, to better fit with the business planning cycle.</p>	
x	<p>There was discussion about the need to refresh the College financial strategy and to discuss at Corporation, for example, the appropriate balance of debt reduction versus investing in resources to stimulate curriculum growth and what priority should be given to achieving Further Education Commissioner benchmarks for financial health, as opposed to the College’s own performance indicators and targets. RM said work on developing a new financial strategy was in fact underway.</p>	
xi	<p>Corporation report: The Committee received a comprehensive report from the Executive Finance Director to inform the mid-year budget review. Having discussed it in detail, it recommends to the Corporation that it approve:</p> <ul style="list-style-type: none"> ➤ the proposed revised budget, as presented to the Committee; and ➤ the release of the capital funding held back earlier in case of a delay to the sale of Halifax Road, with discussion to be had about how to utilise it. 	Report Item 1
4	<p>FEES POLICY</p> <p>i RM’s report on the proposed fees policy was received and the contents were noted. Attention was drawn to a line highlighted in red (14.2) which was still to be finalised prior to the Corporation meeting on 26 March.</p> <p>ii RM said the changes from the previous year’s version were fairly superficial and Members acknowledged this, agreeing that the policy remained fit for purpose. A Member suggested that a mention might be made at clause 5 about the availability of programmes which qualified for full fee remission and this was agreed.</p> <p>iii Corporation report: Subject to the minuted amendments being made, to recommend to the Corporation that it approve and adopt the proposed fees policy.</p>	Report Item 2
5	<p>FINANCIAL REGULATIONS APPROVALS</p> <p>i RESOLVED:</p> <p>(i) To approve the three requisitions (Orders PO8884, PO9003 and PO9237) particularised in the Executive Finance Director’s report.</p> <p>ii Corporation Report: The Committee approved three requisitions.</p>	Report Item 3

Item		Action/ Report Item
6	<p data-bbox="240 174 1362 2072">MONTHLY FINANCIAL REPORT TO 30 SEPTEMBER 2020</p> <p data-bbox="240 237 1362 434">i Financial Analyst Mr A Oldham (“AO”) presented the accounts to 30 January. He drew attention to Annex 2, which showed actual performance against budget for the first half of the financial year. He said as Members were aware, COVID-19 had caused significant income shortfalls across the sector. In some respects, performance was good compared to other colleges, for example apprenticeship income hadn’t taken nearly as big a hit as it had elsewhere.</p> <p data-bbox="240 465 1362 633">ii The College continued to cut both its pay and non-pay bills. AO said the staff to income ratio was not yet at benchmark but Members agreed that a slight deviation from that particular benchmark was not a concern, as the College was unusual in some respects, including some of its staffing arrangements, for example it did not contract out cleaning, catering or security as many colleges did.</p> <p data-bbox="240 665 1362 730">iii The status of the other key performance measures was noted. EBITDA was going down, which was to be expected at the end of January. Borrowing had not moved.</p> <p data-bbox="240 761 1362 929">iv AO referred to Annex 4, saying it showed how the data presented in Annex 2 was split by contributions from teaching departments to overheads and the cost of support services. He said the analysis showed that there was excellent performance in the Construction and Landbased faculty, but other areas were behind target, a factor particularly acute in areas with substantial Adult provision.</p> <p data-bbox="240 960 1362 1055">v The Principal referred to page 2 of the report, where all the headline indicators were RAG rated green and said it merited attention, as it was an excellent achievement. Members agreed and acknowledged the hard work on the part of the whole team.</p> <p data-bbox="240 1086 451 1122"><u>Capital Budget</u></p> <p data-bbox="240 1153 1362 1285">vi Financial Controller Ms A Clegg (“AC”) updated the Committee on the capital budget, referring to Annex 8 of the report. She reminded Members of the need to match fund 25% of the FECA monies in order to claim the full FECA allocation and said after this was factored in, £68k remained available for allocation.</p> <p data-bbox="240 1317 1362 1485">vii Information about how the FECA has been allocated and the level of spend was reported in Table 3 of Appendix 8. AC said the aim was to get all of the FECA claimed within the financial year. Although the FECA funds originally were required to be spent by the end of March, the College had had agreement for up to £300k to fall in the period April to September 2021.</p> <p data-bbox="240 1516 1362 1722">viii Corporation Report: The Committee received a report on the financial position based on the 31 January management accounts. COVID-19 continues to dominate the picture and, although 16-19 recruitment has been very positive, elsewhere, numbers are down on plan and recovery of the resulting shortfalls will be challenging. However, with pay costs and other expenditure down against budget, financial health is still on track to be as planned at year end.</p>	Report Item 4
7	<p data-bbox="240 1756 1362 1787">IMPACT OF THE FE COMMISSIONER’S REVISED BENCHMARKS</p> <p data-bbox="240 1818 1362 2056">i RM shared a letter from the Further Education Commissioner concerning proposed changes to the benchmarks used to assess colleges’ overall financial performance. Although they were not yet implemented, RM had mapped the College position against them and produced a table. Members agreed this showcased well the impact of the College’s level of debt but also showed it was on a trajectory of improvement. There was agreement that it would be useful to start to see financial performance reported against both these and the financial health benchmarks.</p>	

Item		Action/ Report Item
ii	Action: To introduce reporting against the proposed FEC benchmarks, as well as the financial health benchmarks going forwards.	RM
8	<p>ESTATES UPDATE, INCORPORATING CAPITAL PROJECTS REPORT</p> <p><u>Estates Update - Pioneer House and the sale of Halifax Road</u></p> <p>i As reported at the last Corporation meeting, the College was completing some environmental enhancement works at the rear of Pioneer House, using Kirklees Council Better Spaces Programme funding. It still expected to complete these by the end of March.</p> <p>ii The sale of Halifax Road had completed on 23 February. The proceeds of sale of the Oldroyd building had been transferred to the College, as had previously been agreed by the trustees of the separate charity which owned it. Most of the proceeds had been used to make a restructuring facility loan repayment and the balance would be used to replace unrestricted funds the College had used to fund its Dewsbury Learning Quarter project.</p> <p>iii The College had unfortunately been unsuccessful in its bid for a Salix grant, which it had hoped to use to increase energy efficiency at the Taylor Hill site. As reported at strategy day, the grant had been significantly oversubscribed. In the event, the planned works were not instructed.</p> <p><u>Capital Update</u></p> <p>iv Part 2 of the report summarised the current position with the capital budget across the strands of Pioneer development, FECA capital and routine College funded capital. RM updated Members on how the College's overspend on the Dewsbury Learning Quarter project had been funded and the position vis-a-vis the FECA allocation and use of the funds.</p> <p>v Corporation Report: All substantial elements of the Estates Strategy being complete, the Committee received an assurance report, which identified how the additional costs for the Dewsbury Learning Project had been funded and outlined the final work being undertaken to ensure that every avenue to secure value for money for the project was fully pursued. The Committee also received, in respect of the FECA allocation, a breakdown of planned expenditure, which identified where funding from the College capital budget would be needed in order to achieve the overall agreed match funding. Management's hard work on the FECA submission has produced a significant net benefit for the College.</p>	Report Item 5
MATTERS TO NOTE AND ADMINISTRATION		
9	<p>DATE OF NEXT MEETING</p> <p>i Friday 2 July 2021</p>	
10	<p>PUBLICATION OF AGENDA PAPERS</p> <p><u>RESOLVED:</u></p> <p>(i) All items marked with an asterisk on the meeting Agenda shall not be made public.</p>	
11	<p>THANKS AND CLOSE</p> <p>i The Chair thanked everyone for their contributions and the meeting closed.</p>	

Items of Report for Corporation

Item	Details	Minute
1	<p>The Committee received a comprehensive report from the Executive Finance Director to inform the mid-year budget review. Having discussed it in detail, it recommends to the Corporation that it approve:</p> <ul style="list-style-type: none"> ➤ the proposed revised budget, as presented to the Committee; and ➤ the release of the capital funding held back earlier in case of a delay to the sale of Halifax Road, with discussion to be had about how to utilise it. 	3(xi)
2	Subject to the minuted amendments being made, to recommend to the Corporation that it approve and adopt the proposed fees policy.	4(iii)
3	The Committee approved three requisitions.	5(ii)
4	The Committee received a report on the financial position based on the 31 January management accounts. COVID-19 continues to dominate the picture and, although 16-19 recruitment has been very positive, elsewhere, numbers are down on plan and recovery of the resulting shortfalls will be challenging. However, with pay costs and other expenditure down against budget, financial health is still on track to be as planned at year end.	6(viii)
5	All substantial elements of the Estates Strategy being complete, the Committee received an assurance report, which identified how the additional costs for the Dewsbury Learning Project had been funded and outlined the final work being undertaken to ensure that every avenue to secure value for money for the project was fully pursued. The Committee also received, in respect of the FECA allocation, a breakdown of planned expenditure, which identified where funding from the College capital budget would be needed in order to achieve the overall agreed match funding. Management's hard work on the FECA submission has produced a significant net benefit for the College.	8(v)