

Kirklees College Corporation

## FINANCE COMMITTEE

### Minutes of a meeting held at 2pm on 2 July 2021 via Microsoft Teams videoconference

Present:

Mr H Linn	Independent Member (Chair)
Ms C George	Independent Member
Mr G Hetherington	Independent Member
Mr J Royle	Independent Member
Mr P Singh	Principal and Chief Executive

Attendance: 5/7 = 71% KPI 80% Quorum: 3

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

Item	Action/ Report Item
<b>PRELIMINARY ITEMS</b>	
<b>0.1</b>	<b>NOTICE AND QUORUM</b>
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.
<b>0.2</b>	<b>WELCOME AND INTRODUCTIONS</b>
i	With no introductions needed, the Chair welcomed everyone and declared the meeting open.
<b>1</b>	<b>APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST</b>
i	Apologies had been received from Committee Member Mukesh Varyani and Co-opted Member Mr E Croston.
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.
<b>2.0</b>	<b>MINUTES OF THE 12 MARCH 2021 COMMITTEE MEETING</b>
i	<b><u>RESOLVED:</u></b> <b>(i) Subject to correcting the details of the previous meeting (12 November 2020) at Item 2, to approve the 12 March minutes as an accurate record.</b>
<b>2.1</b>	<b>MATTERS ARISING NOT ON THE AGENDA</b>
i	No matters were raised.

Item	Action/ Report Item
2.2	<b>UPDATE ON AGREED ACTIONS</b>
i	<u>Reporting on Further Education Commissioner benchmarks:</u> This had been actioned.
<b>DECISIONS</b>	
3	<b>3-YEAR FINANCIAL PLAN AND REVENUE &amp; CAPITAL BUDGET FOR 2021/22</b>
i	<p>The Executive Finance Director, Mrs R Meara (“RM”), presented the proposed three-year plan (‘Plan’) and 2021/22 budget (‘Budget’). She commented on some administrative issues as follows:</p> <ul style="list-style-type: none"> <li>➤ The zero-based budgeting method had been used, with every function within the College conducting an assessment of its needs and costs.</li> <li>➤ The resulting Plan and Budget would need to be converted to the Education &amp; Skills Funding Agency’s (“ESFA”) new format for data collection;</li> <li>➤ They would require Corporation approval and submission by 31 July; and</li> <li>➤ The sections concerning the financial impact of Covid-19 on operations and the risk to Adult activity for 2021/22 (wording in red) needed updating for 2020/21.</li> </ul> <p><u>Budget 2021/22</u></p>
ii	<p>RM explained that the proposed Budget targeted the achievement of an outstanding EBITDA<sup>1</sup> score (&gt;8%) and would deliver a financial health outcome of 210 points (‘Good’). She said it became clear during the business planning process that it would not be appropriate after all to aim for an EBITDA of £3.5m, as the anticipated growth in 16-18 would create additional costs (staffing and other resources) to be met from the 2021/22 budget (due to the lagged funding model). Nonetheless, a target of £3.4m was proposed.</p>
iii	<p>The Committee noted the high degree of uncertainty around Adults; this was probably the biggest financial risk area for 2021/22. RM said Adult learners’ willingness and ability to re-enter education in September was still in question; there was also the added complexity of devolution, which would see the College managing five pots of funding rather than one. A Member asked if, in light of this, the College was being overly-optimistic in increasing its Adults budget so significantly. RM said this question had been asked and had come under a lot of scrutiny in the business planning process, with each individual manager being robustly challenged on the level of Adult Education Budget they expected to deliver. She said the management team felt they had put in place everything they could to maximise the activity and to mitigate the risk of underperformance.</p>
iv	<p>A Member asked what the assumption that Adults may be reluctant to return to education in 2021/22 was based on. RM said it was largely based on the College’s experience in 2020/21 and the feedback from Adult learners. The Member suggested that the concerns learners had voiced should be addressed in the College’s marketing materials and RM said the team was already working on that campaign.</p>
v	<p>In terms of the capital budget, RM said withholding capital in 2020/21 to preserve cashflow had worked out well in more ways than one, so she proposed that £250k be held back in 2021/22, to enable the College to react to emerging matters. In addition to the proposed capital budget, a bid had been submitted to the ESFA expansion fund which was thought to have a good chance of success.</p> <p><u>Restructuring Fund (“RF”) Targets</u></p>
vi	<p>The College has consistently outperformed the EBITDA targets in its RF approved</p>

<sup>1</sup> 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
vii	<p>bid. RM said, if the proposed budget for 2021/22 was achieved, the College would have exceeded the EBITDA targets for five consecutive years.</p> <p>The Committee reviewed the internal financial targets from the RF application. Members noted that the staff-to-income ratio target would be exceeded and the Corporation would need to reflect on whether this was acceptable to it. The Committee recalled its previous discussions about this performance measure and Members confirmed that they remained of the view that the College should not let it drive decision-making when all other indicators were positive. RM said 2021/22 would be the first year since the RF application when, without the FRS102 adjustment, the College made an operating surplus - a further positive indicator.</p>	
viii	<p>RM was asked to comment on the risk that the ESFA might seek to clawback 50% of any over-performance. RM said she thought the risk was low as they had not done so previously.</p>	
	<p><u>Pay Budget</u></p>	
ix	<p>The planned pay budget was discussed. RM said the projected increase in pay costs was not as significant as it first appeared, as much of it was due to a forecast change in the operational cost from the actuarial report received in October 2020. The pay budget assumed a pay award and took account of movements up pay scales and increasing pension costs. There were additional pay costs associated with growth in curriculum, particularly in construction, as well as some new management roles.</p>	
x	<p>A Member commented on a proposal to bring the student support staff in house, suggesting that it would assist Governors to clearly highlight in the Corporation paper the current cost of engaging those staff via agencies and the potential cost savings. RM said bringing the staff in house was expected to produce a saving of around £300k and she would highlight this in the paper.</p>	
xi	<p>A Member suggested that Governors should receive details of the cost of the cleaning, catering and security staff employed by the College to illustrate one of the reasons the College's staff-to-income ratio was slightly above sector average.</p>	
xii	<p><b>Action:</b> To provide the Corporation with the current pay cost for cleaning, catering and security staff employed by the College and factored into the staff-to-income ratio.</p>	RM
xiii	<p>A Member referred to the need to recruit additional staff to support the growth in 16-18 and asked how confident the Corporation could be that it would successfully fill vacancies in time to meet budget. There was agreement that the Corporation should receive details of the number of additional roles the College expected to need, to give an idea of the size of the risk that roles would not be filled in time.</p>	
xiv	<p><b>Action:</b> To provide the Corporation with the number of full time equivalent staff vacancies expected to arise due to the growth in 16-18 and other factors, to give an idea of the recruitment risk.</p>	RM
	<p><u>Non-Pay Budget</u></p>	
xv	<p>RM drew attention to the summary of non-pay movements, as well as a table which aggregated both pay and non-pay to show where, overall, costs had moved.</p>	
	<p><u>Financial Health Score and Solvency</u></p>	
xvi	<p>RM said the data had been run through the College's financial planning model, which predicted that the College would get to 'Good' financial health (180 points) in 2020/21, with a more solid 'Good' position the following year, and the potential to achieve 'Outstanding' by 2023. She said she would like to get a steer from the Corporation as to whether the College should go for 'Outstanding', or should be</p>	

Item		Action/ Report Item
xvii	<p>content with a solid 'Good' while ensuring that adequate resources were reaching the front line. She said her view was that the College should not build up a large amount of reserves but should reinvest in delivery.</p> <p>RM cautioned that, in introducing its new format for financial data collection, the ESFA had slightly changed the way it calculated debt-to-income, including accrued interest payable on outstanding loans within the calculation when it was not included previously. RM said the impact of that was to push the College's financial health score down to 170. She said nonetheless, her advice to the Corporation would be that it should consider itself 'Good' notwithstanding that impact.</p> <p><u>Covenant Position</u></p>	
xviii	<p>The Committee recalled that the RF loan agreement contained the following financial performance covenants:</p> <p>CFADS (cash and debt service cover) not to be less than:</p> <ul style="list-style-type: none"> <li>- 60% of debt servicing costs for the year ending 31 July 2020;</li> <li>- 70% of debt servicing costs for the year ending 31 July 2021</li> <li>- 100% of debt servicing costs for the year ending 31 July 2022</li> </ul>	
xix	<p>RM referred to the graph on page 30 of her paper, which showed the current cash position against the forecast from twelve months previously. She said the key reasons for the substantial improvement were the sale price achieved for Halifax Rd and the earlier-than-forecast receipt of a grant from the Local Enterprise Partnership.</p>	
xx	<p>RM said, while the July 20 covenant was met and the July 21 covenant was expected to be significantly exceeded, the July 22 covenant was at risk, purely due to timings. She said, as she had previously discussed with the Committee, she did not see this as a risk, as it was a technical issue and the loan was expected to be fully repaid by February in any case.</p>	
xxi	<p><b>Corporation report:</b> There was particular discussion at the Committee meeting, which will continue at Corporation, about:</p> <ul style="list-style-type: none"> <li>➤ the relative weight that should be given to the various financial indicators, the Committee seeing EBITDA as the key indicator; and</li> <li>➤ where the Corporation should assess its financial health, given the impact of a change the Education &amp; Skills Funding Agency has made to how it calculates debt-to-income ratio on the College's score against that measure.</li> </ul>	Report Item 1
xxii	<p><b>Corporation report:</b> The Committee recommends to the Corporation that it approve the three-year plan and 2021/22 budget.</p>	Report Item 2
4	<p><b>REVISION TO BANK MANDATE</b></p> <p><b><u>RESOLVED:</u></b></p> <p><b>(i) The bank mandate shall be amended as follows:</b></p> <ul style="list-style-type: none"> <li>➤ <b>by the removal of Marie Gilluley as a Group B signatory and the substitution of Palvinder Singh; and</b></li> <li>➤ <b>By the removal of Carmen Gonzalez-Eslava as a Group B signatory and the substitution of Julia Arechiga.</b></li> </ul> <p><b>ii</b></p> <p><b>Corporation report:</b> The Committee approved changes to the bank mandate to reflect the senior staff changes. Mr P Singh and Ms J Arechiga are now signatories.</p>	Report Item 3

Item		Action/ Report Item
5	<p data-bbox="252 174 831 203"><b>FINANCIAL REGULATIONS APPROVALS</b></p> <p data-bbox="252 241 1350 376">i The allocation of £371k from the 2020/21 capital budget for a programme of works at Brunel House was noted. Members recalled that this had been approved at the 21 May Corporation meeting; the funds would come from the agreed envelope of capital spend for the year.</p> <p data-bbox="252 405 1350 528">ii <b>RESOLVED:</b> <b>(i) To approve the two requisitions (Orders PO10308 and PO10350) particularised in the Executive Finance Director’s report.</b></p> <p data-bbox="252 557 1350 618">iii <b>Corporation Report:</b> The Committee approved two requisitions over £100k relating to the replacement of CCTV and some refurbishment works at Brunel House.</p>	Report Item 4
6	<p data-bbox="252 651 906 680"><b>WEST YORKSHIRE COLLEGES CONSORTIUM</b></p> <p data-bbox="252 719 1350 882">i The outgoing Principal Ms M Gilluley (“MG”) briefed the Committee on the College’s work as part of joint venture company West Yorkshire Consortium of Colleges and shared some concerns about the effectiveness of the joint venture, the costs of participation, and the College’s risk exposure. She said Bradford College (one of the seven colleges involved in the venture) had recently withdrawn from it.</p> <p data-bbox="252 911 1350 1046">ii Following discussion, MG’s concerns were noted and it was agreed that a review of the arrangements and a refresh of the strategy should be pursued, with Governor involvement - particularly in light of the <a href="#">Skills for Jobs White Paper</a> focus on partnership working and the need for the West Yorkshire providers to collaborate.</p>	
<b>PERFORMANCE MONITORING</b>		
7	<p data-bbox="252 1128 549 1158"><b>FINANCIAL REPORT</b></p> <p data-bbox="252 1187 1331 1382">i The Financial Analyst Mr A Oldham (“AO”) presented the accounts, alerting Members to some planned changes to the format and content for 2021/22, picking up good practice advice from the Further Education Commissioner and following internal reflections on the current approach. He invited feedback from the Committee and Members agreed that they would be open to trialling a new approach.</p> <p data-bbox="252 1420 1350 1973">ii It was noted as follows: <ul style="list-style-type: none"> <li data-bbox="277 1464 1331 1592">➤ In terms of the risks around the Adult Education Budget, the situation remained fluid and it remained to be seen how much of the allocation would be repayable, although the assessment was just below the revised budget figure. There had been no indication as yet that the ESFA would lower its tolerance;</li> <li data-bbox="277 1615 1331 1704">➤ The non-funded delivery risk for Apprenticeships had stabilised since the last report and the availability of external end-point-assessment resource (a national issue) was now the key risk in that area;</li> <li data-bbox="277 1727 1331 1783">➤ Covid-19 had severely impacted fee income but the College was on track to hit the revised budget target;</li> <li data-bbox="277 1805 1331 1861">➤ The College continued to see reductions in the pay budget but no assumptions were being made about future savings;</li> <li data-bbox="277 1883 1331 1973">➤ Confidence that the EBITDA target would be achieved was increasing, due to the pay and resource savings that had been made and the maximisation of other funding opportunities.</li> </ul> </p> <p data-bbox="252 2002 1299 2067">iii <b>Corporation Report:</b> The Committee received a report on the financial position based on the 31 May management accounts.</p>	Report Item 5

Item		Action/ Report Item
8	<p><b>ESFA LETTER AND FINANCIAL DASHBOARD</b></p> <p>i RM shared a letter from the ESFA, which reported on the progress made by the College towards financial recovery and benchmarked it against the sector.</p>	
<b>COMMITTEE SELF-ASSESSMENT</b>		
9	<p><b>COMMITTEE REVIEW</b></p> <p><u>Performance 2020/21</u></p> <p>i Committee members had completed an online survey, which measured their confidence levels against a series of principles of good governance. Some areas for improvement had been identified around the arrangements for induction and training of Committee Members and the need for the Chair and Clerk to schedule regular meetings.</p> <p>ii <b>Action:</b> To prepare the Committee performance report.</p> <p><u>Terms of Reference</u></p> <p>iii <b>Corporation report:</b> The Committee reviewed its Terms of Reference and recommends some amendments for 2021/22, specifically the removal of 'monitoring of the BCPIs' as a formal Committee activity, as this is done at Corporation. Also, clarifying two of the items by reference to the Financial Regulations.</p> <p><u>Work Schedule and Dates 2021/22</u></p> <p>iv It was confirmed that the Committee would continue to meet on Friday afternoons, this being preferred by the majority of Members. The schedule of work was agreed.</p> <p>v <b>Corporation report:</b> The draft Schedule of Work and meeting dates for 2021/22 are recommended for approval.</p>	<p>JG</p> <p>Report Item 6</p> <p>Report Item 7</p>
<b>MATTERS TO NOTE AND ADMINISTRATION</b>		
10	<p><b>DATE OF NEXT MEETING</b></p> <p>i Provisionally Monday 15 November 2021</p>	
11	<p><b>PUBLICATION OF AGENDA PAPERS</b></p> <p>i <b><u>RESOLVED:</u></b></p> <p>(i) All items marked with an asterisk on the meeting Agenda shall not be made public.</p>	
12	<p><b>THANKS AND CLOSE</b></p> <p>i The Chair thanked everyone for their contributions. It was noted that it was Mr J Royle's last Committee meeting and Committee members asked that their thanks to him be recorded in the minutes, along with their good wishes for the future.</p> <p>ii There being no further business, the meeting closed.</p>	

**Item****Action/  
Report Item****Items of Report for Corporation**

Item	Details	Minute
1	<p>There was particular discussion at the Committee meeting, which will continue at Corporation, about:</p> <ul style="list-style-type: none"> <li>➤ the relative weight that should be given to the various financial indicators, the Committee seeing EBITDA as the key indicator; and</li> <li>➤ where the Corporation should assess its financial health, given the impact of a change the Education &amp; Skills Funding Agency has made to how it calculates debt-to-income ratio on the College's score against that measure.</li> </ul>	3xxi
2	The Committee recommends to the Corporation that it approve the three-year plan and 2021/22 budget.	3xxii
3	The Committee approved changes to the bank mandate to reflect the senior staff changes. Mr P Singh and Ms J Arechiga are now signatories.	4ii
4	The Committee approved two requisitions over £100k relating to the replacement of CCTV and some refurbishment works at Brunel House.	5iii
5	The Committee received a report on the financial position based on the 31 May management accounts.	7iii
6	The Committee reviewed its Terms of Reference and recommends some amendments for 2021/22, specifically the removal of 'monitoring of the BCPIs' as a formal Committee activity, as this is done at Corporation. Also, clarifying two of the items by reference to the Financial Regulations.	9iii
7	The draft Schedule of Work and meeting dates for 2021/22 are recommended for approval.	9v