

Kirklees College Corporation

FINANCE COMMITTEE

Minutes of a meeting held at 14.00 on 19.11.21 via Microsoft Teams videoconference

Present:

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| Mr H Linn | Independent Member (Chair) |
| Mr E Croston | Co-opted Member |
| Ms C George | Independent Member |
| Mr P Singh | Principal & Chief Executive |
| Mr G Hetherington | Independent Member |
| Mr C Robinson | Independent Member |
| Mr M Varyani | Independent Member |

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

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| 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 |
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| PRELIMINARY ITEMS | |
| 0 | 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. |
| 1 | APPOINTMENT OF CHAIR, WELCOME AND INTRODUCTIONS |
| i | <u>RESOLVED:</u> (i) To appoint Mr H Linn as Committee Chair with immediate effect. |
| ii | The Chair welcomed everyone and declared the meeting open. |
| 2 | APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST |
| i | There were no apologies. |
| 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. |
| 3 | MINUTES OF THE 2 JULY 2021 COMMITTEE MEETING |
| i | <u>RESOLVED:</u> (i) To approve the 2 July 2021 minutes as an accurate record. |
| 3.1 | MATTERS ARISING NOT ON THE AGENDA |
| i | No matters were raised. |

| Item | | Action/ Report Item |
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| 3.2 | UPDATE ON AGREED ACTIONS | |
| i | <u>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:</u> This had been actioned. | |
| ii | <u>To provide the Corporation with the number of fulltime equivalent staff vacancies expected to arise due to the growth in 16-18 and other factors, to give an idea of the recruitment risk:</u> This had been actioned. | |
| iii | <u>To prepare the Committee performance report:</u> This had been actioned. | |
| FINANCIAL STATEMENTS | | |
| 4 | FINANCIAL STATEMENTS AND MEMBERS' REPORT | |
| i | The Executive Finance Director Ms R Meara ("RM") presented the Financial Statements and Members' Report. Governors welcomed the new style of report, which incorporated colour photographs and additional commentary about the College's activities. Members commented that it brought the report to life and showed that a high priority was given to financial management. This was agreed. | |
| ii | The Committee commended management on a clean audit, agreeing that it was an excellent result. The external auditor Grant Thornton had not identified any errors and had flagged just one adjusted misstatement, which RM intended to query, as it was an accounting treatment the College had applied for many years. There were likely to be one or two control recommendations but these would not invalidate the integrity of the financial statements document. | |
| iii | Grant Thornton's audit findings report had arrived the previous day and, with the Chair's permission, RM shared some of it on screen. She said the only work outstanding was: <ul style="list-style-type: none"> ➤ Some minor queries arising from the review of the student records sample; ➤ The final internal quality review; ➤ Post balance sheet events; and ➤ Obtaining from the College the signed letter of representation. | |
| iv | RM drew attention to the status of the key financial performance indicators on page 18 of the Financial Statements; these were taken from the College's financial recovery (Restructuring Fund) plan. Members agreed that, over the last three years, financial performance had been strong and excellent progress had been made. In particular: <ul style="list-style-type: none"> ➤ the EBITDA¹ performance was classed as 'outstanding' under the Education & Skills Funding Agency ("ESFA") financial health measures; ➤ the conclusion of the capital programme and sale of surplus assets had had a positive impact on the balance sheet; ➤ the 'cash balances' target had been exceeded throughout the year; and ➤ the operating position for 2021 excluding pension adjustments for FRS102 was one of surplus. | |
| v | RM said, had the ESFA not changed the calculation for debt to income to include accrued interest payable, the College would have achieved 'Good' financial health a year ahead of its Restructuring Fund plan. | |

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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| vii | The Committee discussed the report. In response to a question, RM clarified that the Office for Students grant income also included some capital grant income as well as the revenue grant. There was also discussion about the terms of the Local Authority loan. RM said the College was required to repay a fixed amount in March and September each year and the interest level was fixed. | |
| viii | A Member drew attention to Note 27 to the accounts ('Amounts dispersed as agent'). The Member asked RM to give some context to the unspent balance. RM said the College had been locked down for such a long period that the funds allocated to travel were not needed; they were being rolled over and would be used in 2021/22. | |
| ix | Referring to the Governance Statement (pp24-32), a Member asked if some words could be added detailing the interactions the Corporation had with College learners, as this was a strength. This was agreed. | |
| x | Action: To add additional detail to the Governance Statement about Governors' interactions with learners. | JG, RM |
| xi | In response to a question, Financial Analyst Mr A Oldham ("AO") confirmed that (in the section on staff costs on p57) support staff such as technicians and trainer assessors were categorised as 'non-teaching staff' rather than 'teaching staff'. RM acknowledged that this may give the impression of an imbalance of delivery staff to back office staff but said there was no way around it. She said the financial plan provided a clearer picture of the numbers of staff engaged in direct delivery. | |
| xii | There was discussion about the College's plans to retender the external audit work. RM said this was already in progress as Grant Thornton had advised that they would be withdrawing from Further Education sector work. A Member commented that there seemed to be a shortage of audit services for the public and third sectors. | |
| xiii | Finally, a Member asked whether the College was at risk of incurring any clawback of the grant aspect of the Restructuring Fund. RM said although there was a risk of this, she felt the likelihood of it happening was very low as the College had already outperformed its plan without penalty; it would not accept a clawback without a fight. | |
| xiv | Summing up, RM said overall it was a financial outturn the Corporation could be proud of given everything that had happened over the past year. This was firmly agreed. There being no further questions, the Committee resolved to recommend the Financial Statements and Members' Report to the Corporation for approval. | |
| xv | Corporation report: The Members' Report and Financial Statements 2020/21 are recommended for Corporation approval at the 13 December 2021 meeting. | Report Item 1 |
| OTHER BUSINESS | | |
| 5 | MONTHLY FINANCIAL REPORT TO 30 SEPTEMBER 2021 | |
| i | AO presented the accounts for the first two months of the year. He said data from the same point last year had been added to the report to provide some context (this followed some good practice guidance from the Association of Colleges). <i>Certain matters are considered confidential at this stage and therefore the discussion is recorded in a confidential annex.</i> | |
| v | A Member asked what the AEB recruitment profile was across the three terms. RM said in the business plan, management had looked at where new starts would be over the year and had planned accordingly, so as the year progressed, there would be increased confidence. RM said she would incorporate in the next report an | |

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| vi | <p>opinion on where the College would outturn based on recruitment and the expected retention. It was agreed that she should reflect on what the most useful reporting approach would be from the management perspective, as well as for Governors.</p> | |
| vii | <p>RM drew attention to the update on risks and assumptions contained in the report. In discussion it was noted that the significant uncertainty around what support, if any, the Further Education sector could expect to receive from central government was impacting on colleges' ability to plan.</p> | |
| viii | <p>A Member asked, if a need for a certain level of staffing was identified in the budget, why was there such a significant underspend on pay? RM said there were three key factors:</p> <ul style="list-style-type: none"> ➤ A planned restructure of the student support team (a transfer of around £1m of non-pay agency costs into the staffing budget to further strengthen the high needs support team) had been delayed. ➤ Where part time or agency staff were covering roles, there was a month's lag as they were paid in arrears – the costs would start to come through in the October management accounts. ➤ There were some unfilled vacancies, partly due to staff leaving. | |
| ix | <p>A Member had heard, anecdotally, of delayed start dates for some evening courses. PS said some departments were struggling with recruitment, even for entry-level low-skilled roles. He said the College was throwing everything it could at the problem and trying to mitigate risks where possible.</p> | |
| x | <p>Action: In future Financial Reports, to add headings to the tables and graphs, to assist Members reading in.</p> <p>Corporation Report: The Committee received a report on the financial position based on the first two months' accounts. It is too early to judge how the year will pan out. COVID-19 continues to impact but in many respects, business has picked up since the same point last year.</p> | <p>AO</p> <p>Report Item 2</p> |
| 6 | <p>CAPITAL REPORT</p> | |
| i | <p>The report provided more detail on the allocation of monies the Corporation had approved for release in July 2021. £2.4m worth of capital bids had been received through the business planning process. The College had been able to support a substantial proportion of those and the paper articulated some of the larger ones, which were expected to enhance the student experience and attract new business.</p> | |
| 7 | <p>CAPITAL PROGRAMME AT BRUNEL: UPDATE</p> | |
| i | <p>Vice Principal Corporate Operations Mr M Bennington said the major capital programme at Brunel was nearing completion. It would provide much needed additional space. He reminded Members of the approved budget for the works and said this was expected to be achieved. An application to the Post-16 Capital Growth Fund had been successful and the College would receive a grant allocation which would cover 84% of the total project costs. This was agreed to be a positive outcome.</p> | |
| ii | <p>A Member asked if the problem with flooding at Brunel had been resolved. MB said there was no water company solution; it was not taking ownership of the problem. The College had put some flood defences in itself.</p> | |
| iii | <p>Corporation report: The Committee received an update report on the major capital programme at Brunel. This has been an extremely successful project and has increased the College's delivery capacity substantially at minimal cost to the College.</p> | <p>Report Item 3</p> |

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| <p>8</p> <p>i</p> <p>ii</p> <p>iii</p> | <p>FINANCIAL REGULATIONS APPROVALS</p> <p>RM drew attention to Item 2 in her report, saying the proposed variation would not affect the bottom line; the amount received in excess of what was anticipated would simply be reflected in income and the corresponding pay budget.</p> <p><u>RESOLVED:</u></p> <p>(i) To approve the requisition (Order PO11713) particularised in the Executive Finance Director’s report.</p> <p>(ii) To approve the proposed variation to income and expenditure budgets to deliver the catch-up funded activity.</p> <p>(iii) To approve the use of a sole supplier as detailed in the Executive Finance Director’s report.</p> <p>(iv) To approve an individual severance payment as particularised in the Executive Finance Director’s report.</p> <p>Corporation Report: In line with the Financial Regulations, the Committee provided a number of approvals, as detailed in the minutes.</p> | <p>Report Item 4</p> |
| <p>9</p> <p>i</p> <p>ii</p> | <p>ESFA FINANCIAL DASHBOARD</p> <p>RM shared the ESFA Financial Dashboard on screen. She said although the ESFA was still noting the College as being in the ‘requires improvement’ category for 2020/21, due to the changes it had made to its measurement criteria, the College’s performance against the three financial health indicators relative to benchmark showed a clearly improving financial health trend.</p> <p>Attention was drawn to the staff to income ratio and RM commented that although the Further Education Commissioner benchmark was 65%, the national median was consistently higher than that and growing.</p> | |
| MATTERS TO NOTE AND ADMINISTRATION | | |
| <p>8</p> <p>i</p> | <p>DATE OF NEXT MEETING</p> <p>4 March 2022</p> | |
| <p>9</p> <p>i</p> | <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> | |
| <p>0</p> <p>i</p> | <p>THANKS AND CLOSE</p> <p>The Chair thanked everyone for their contributions and the meeting closed.</p> | |

| Items of Report for Corporation | | |
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| Item | Details | Min |
| 1 | The Members' Report and Financial Statements 2020/21 are recommended for Corporation approval at the 13 December 2021 meeting. | 4xv |
| 2 | The Committee received a report on the financial position based on the first two months' accounts. It is too early to judge how the year will pan out. COVID-19 continues to impact but in many respects, business has picked up since the same point last year. | 5x |
| 3 | The Committee received an update report on the major capital programme at Brunel. This has been an extremely successful project and has increased the College's delivery capacity substantially at minimal cost to the College. | 7iii |
| 4 | In line with the Financial Regulations, the Committee provided a number of approvals, as detailed in the minutes. | 8iii |