Kirklees College Corporation

FINANCE COMMITTEE

Minutes of a meeting held at 2pm on 1 July 2022
at the Waterfront Campus and via Microsoft Teams videoconference

Present:

	Mr C Robinson	Independent Member (Chair)
	Ms C George	Independent Member
	Mr G Hetherington	Independent Member
	Mr P Singh	Principal and Chief Executive
	Mr M Varyani	Independent Member

Attendance: 5/6 = 83% KPI 80% Quorum: 3

In attendance:	Mr M Bennington	Vice Principal Corporate Operations
	Ms A Clegg	Head of Financial Operations
	Ms J Green	Clerk to the Corporation
	Mrs R Meara	Executive Finance Director
	Mr A Oldham	Head of Financial Performance

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.	
0.2	**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	Apologies were received from 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.	
2.0	**MINUTES OF THE 4 MARCH 2022 COMMITTEE MEETING**	
i	**RESOLVED:**	
	(i) To approve the 4 March 2022 minutes as an accurate record.	
2.1	**MATTERS ARISING NOT ON THE AGENDA**	
i	Minute 4v in the 4 March minutes referred to the Education & Skills Funding Agency ("ESFA") position on carry forward of Tuition Fund. The Chair asked the Executive Finance Director Mrs R Meara ("RM") if she had been able to speak to the ESFA	

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	Deputy Director about this. She said she had but unfortunately the agency was standing firm, which would be challenging for a lot of colleges.	
2.2 i	**UPDATE ON AGREED ACTIONS** There had been no agreed actions.	
MONITORING		
4 i ii iii iv	**ONS REVIEW OF THE CLASSIFICATION OF COLLEGES IN ENGLAND** At the Chair's suggestion, item 4 was taken ahead of item 3. The Office for National Statistics ("ONS") was undertaking a review of the status of further education corporations as private sector organisations with a view to reclassifying them as public sector organisations. RM said this was an emerging risk, as although the Association of Colleges had briefed its members that reclassification would not involve any change of direction in terms of Government plans for the sector or the skills agenda, it could have significant implications for college autonomy and reporting requirements. There was also a risk that adjusting to any changes would divert resource from core operations. To support the review, the College had been obliged to provide the Department for Education with a debt return and authority for each of its primary lenders to provide information in relation to the return. Copies of these were annexed to RM's paper. RM said any change was not imminent as there would be consultation, followed by a fuller scoping exercise.	
3 i ii iii	**FINANCIAL REPORT** The Head of Financial Performance Mr A Oldham presented the management accounts. All key performance indicators were RAG rated 'Green' and they had been so throughout the year. The Staff to Income ratio was down, the Adjusted Current Ratio was up, and the College continued to deliver an EBITDA[1] in excess of forecast. Cash flow remained healthy with the actual cash balance at month-end exceeding forecast. Financial health remained on track to be 'Good' at year-end. Annex 2 to AO's paper showed key variances from the revised 2020/21 budget. He said, in particular: ➢ There remained a high degree of uncertainty as to where the Adult Education Budget would outturn. The accounts reflected the worst-case scenario (it was theoretically still possible to hit 97.3% of contract value in the highly unlikely best-case scenario). ➢ There was still significant risk around the Apprenticeships budget. After thorough reassessment on a learner-by-learner basis, the College expected a shortfall against revised budget. The national end-point-assessment backlog continued to affect timely completions. A Member referred to the risk of the College having to absorb the cost of out-of-funding apprentices and asked if all the delays were due to the national backlog or if any were due to factors within the College's control. Vice Principal Corporate Operations Mr M Bennington said in a minority of cases there were other factors but the majority were due to the national backlog. The number of carry overs had dramatically reduced. A Member who also served on the Quality, Performance & Standards Committee	

[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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iv	("QPS") raised the risk of a correlation between the pay savings achieved in year and some lower-than-expected predicted learner outcomes that had been reported at QPS. The challenges around staff recruitment were discussed, with Members noting that the inability to match competitor pay rates was a key factor. Vice Principal Curriculum Ms J Arechiga ("JA") welcomed Members' challenge and agreed that the quality of outcomes was one of the highest priorities of the business. She said the evidence showed that the quality issues discussed at the QPS meeting were a legacy of the pandemic and not due to back-office or management staff reductions or the inability to recruit staff. In particular, there had been no in-year reduction in frontline delivery staff. RM added that a lot of the 2021-22 pay savings had come about due to under-recruitment against the Adult Education plan; fewer staff had been needed than originally anticipated. She said the College would always look to protect frontline delivery and the 2022/23 pay budget was based on what had been identified through the business planning process as necessary to deliver the curriculum plan.	
v	**Corporation report:** The Committee discussed a report on the current financial position. All key performance indicator targets were (and had throughout the year been) RAG rated 'Green', showing improved performance on all measures. The Committee explored the risk that pay savings made during the year may have impacted quality. While the possibility of some indirect impact cannot be completely ruled out, the Committee was reasonably assured that this was not a factor.	Report Item 1
DECISIONS		
3	**3-YEAR FINANCIAL RETURN AND REVENUE & CAPITAL BUDGET FOR 2021/22**	
i	It was noted that the College was required to submit a three-year College Financial Forecast Return (the "Return") to the ESFA, providing: ➢ the outturn for 2021-22; ➢ the budget for 2022-23; ➢ a forecast for 2023-24; and ➢ a budget commentary paper (included in the meeting pack). It would confirm (among other things) the review and approval of the 2022-23 budget by the Corporation.	
	<u>Budget 2022/23</u>	
ii	The meeting recalled that, in its financial recovery plan, the College had set an EBITDA target of at least 8% per year. RM said, having achieved this in every year of the plan, the College would start 2022-23 with much improved financial health. Even so, the continuing impact of the global pandemic and soaring inflation (particularly energy bills) would create substantial pressures and the College would not be able to sustain the 'Outstanding' operating performance Governors had come to expect.	
iii	RM said, as the College had deliberately outperformed against its 2021-22 budget to build up a financial cushion for 2022-23, she felt comfortable proposing a 2022-23 EBITDA target of 6.5% (£2.79m). This would generate sufficient EBITDA to cover debt repayments as well as necessary capital investment.	
iv	RM shared her screen to show how the budget had been built from the bottom up. Every manager had populated worksheets with projected income, staffing requirements and non-pay expenditure for 2022-23, and their contributions had been aggregated to eventually arrive at the overall budget. RM said, at each stage of the process, the senior team had drilled down into manager's projections and challenged assumptions, maintaining clear sight of the overall target; the workbook had provided a level of detail they had never had before. Members agreed that it was an impressive tool.	

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v	**Action:** To show the budget planning workbook to the Corporation as part of the budget presentation.	RM
vi	The budget assumed an increase in 16-18 learner numbers and the Committee sought assurance on the rationale for the projections. RM said the key was internal progression; this was where the College had underperformed in 2021/22 (rather than in new recruitment). Where a number of potential learners had been lost to New College Huddersfield last September due to grade inflation, this was not expected to happen again.	
vii	RM said while the College had budgeted for every planned-for staff post for the full year, on past experience there would be a natural level of turnover. This approach had been adopted for 2021/22 and the college had experienced around 6%, approximately £1.8m post gapping. The staff-to-income ratio would exceed the ESFA threshold of 65% but the threshold had not kept pace with inflation and almost no one in the sector was meeting it, with the current FE sector average exceeding 67%. Despite sector lobbying for change, the ESFA had maintained its position.	
viii	Referring to the capital budget, RM said, in order to retain some ability to resource curriculum developments for 2023-24 early, capital expenditure was proposed to be capped at £850k in the first instance rather than the £1m in the plan.	
ix	There was agreement that the fact that the College had outperformed against financial plan over the past few years gave confidence that things would be tightly monitored. RM said horizon scanning would continue and when the ILR R04[2] was complete, if there was material over or underperformance, mitigating action would be taken to correct course.	
x	A Member said even if there were no unwelcome surprises next year, the known additional costs would present significant challenge going forwards, even if recruitment targets were hit, so it would be preferable to start contingency planning sooner rather than later. Another Member said the College would have a good idea of student numbers by mid-September and suggested that it would be prudent to take stock at that point, It was noted that performance against recruitment targets would be reported to the Corporation in October 2022.	
xi	A Member commented on the income projections for Adult Education, saying the planned increase was quite significant. The Member asked if there was any risk that with large numbers of jobs on offer, young people might choose take advantage of the situation to join the workforce, rather than signing up for education or training. RM agreed that this was a risk and said it was factored into the estimations; the College expected to see increases in maths and English, as well as English for Speakers of Other Languages.	
xii	The Principal Mr P Singh (“PS”) was asked to comment on the budget. He said: ➢ Within known variables, it was deliverable; ➢ There was increasing risk in all income lines but the College was taking mitigating action where possible; ➢ The apprenticeships growth target was in line with previous performance; ➢ The pay budget was an honest one, with some contingency; ➢ On non-pay, the College had done some detailed scoping to identify additional costs.	

[2] A mandatory data return to the ESFA in November (R04) records the number of students who have been retained on programme 42 days from the start point. This is used to calculate funding for the subsequent year.

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xiii	The Committee agreed as follows: ➢ A robust process had been followed to produce the proposed budget; ➢ Management confidence in the deliverability of the numbers appeared well-placed; ➢ It was comfortable with the risk analysis, including the worst-case scenario.	
xiv	**Corporation report:** The Committee recommends to the Corporation that it approve the proposed 2022/23 budget.	Report Item 2
6	**PROPOSED BUDGET VARIATION 2021-22**	
	The detail of and rationale for the proposed budget variation is considered confidential at this stage and therefore the discussion is recorded in a confidential annex at the end of this document and marked Annex 1, 01.07.22.	
7	**FINANCIAL REGULATIONS APPROVALS**	
i	No approvals were required.	
COMMITTEE SELF-ASSESSMENT		
8	**COMMITTEE SELF-ASSESSMENT**	
i	The Clerk reminded the Committee of the importance of regular self-assessment. She said this year, she would be scheduling a more substantial discussion about the scope and remit of the Committee in the Autumn term, in the hope that the new Vice Principal Finance and Resources would be able to input, and also to allow her more time, along with the Chair, to reflect on the Committee's coverage.	
ii	Some changes to the Terms of Reference were proposed; these were quite minor, with the exception of the removal of the requirement to monitor human and resourcing and to review the annual HR report, which responsibilities would be passing to the proposed new People, Culture and Governance Committee.	
iii	**Corporation report:** Some minor changes to the Finance Committee Terms of Reference are proposed. The deletion of the responsibility for oversight of HR resourcing reflects the plan to transfer this responsibility to a new Committee.	Report Item 3
iv	**Corporation report:** The Committee's 2022/23 Schedule of Work has been deferred until the next meeting in the hope that this will allow for input from the new Vice Principal Finance and Resources. The Agenda for that meeting will be based on the 2021/22 Schedule of Work.	Report Item 4
v	The Committee used a SWOT analysis template to structure a conversation about its Strengths and Weaknesses and the Threats and Opportunities it was confronting, or which may be on the horizon. This was completed and Members were invited to add to it after the meeting.	
vi	**Action:** To write up the Committee SWOT analysis as an action plan for 2022/23.	JG
MATTERS TO NOTE AND ADMINISTRATION		
9	**DATE OF NEXT MEETING**	
i	Friday 18 November 2022	
10	**PUBLICATION OF AGENDA PAPERS**	
i	**<u>RESOLVED:</u>** **(i) Items marked with an asterisk on the meeting Agenda not to be made public.**	

Items of Report for Corporation		
Item	Details	Min
1.	The Committee discussed a report on the current financial position. All key performance indicator targets were (and had throughout the year been) RAG rated ‘Green’, showing improved performance on all measures. The Committee explored the risk that pay savings made during the year may have impacted quality. While the possibility of some indirect impact cannot be completely ruled out, the Committee was reasonably assured that this was not a factor.	3v
2.	The Committee recommends to the Corporation that it approve the proposed 2022/23 budget.	5xiii
3.	The Committee reviewed its Terms of Reference and recommends some amendments for 2022/23, specifically the removal of ‘monitoring of the College’s human resourcing and review of the annual HR report’ as the Corporation is contemplating transferring this responsibility to a new Committee.	8iii
4.	The Committee’s 2022/23 Schedule of Work has been deferred until the next meeting in the hope that this will allow for input from the new Vice Principal Finance and Resources. The Agenda for that meeting will be based on the 2021/22 Schedule of Work.	8iv