

Kirklees College Corporation

FINANCE COMMITTEE

Minutes of a meeting held at 3pm on 22 November 2022 at the Waterfront Campus, Huddersfield Centre

Present:

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

Attendance: 3/6 = 50% KPI 80% Quorum: 3

In attendance:	Ms J Arechiga	Vice Principal Curriculum (to 16.05)
	Mr M Bennington	Vice Principal Corporate Operations
	Ms A Clegg	Head of Financial Operations
	Mr P Doherty	Vice Principal Finance & Resources
	Ms J Green	Clerk to the Corporation
	Mrs R Meara	Executive Finance Director
	Mr A Oldham	Head of Financial Performance
	Mr P Sugden	Director of Estates and Facilities (from 16.05)

Item

Action/
Report Item

PRELIMINARY ITEMS		
1	APPOINTMENT OF CHAIR, WELCOME AND INTRODUCTIONS	
i	<u>RESOLVED:</u>	
	(i) To re-appoint Mr C Robinson as Committee Chair.	
ii	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.	
iii	The Chair welcomed everyone, in particular new Vice Principal Finance & Resources Mr P Doherty ("PD") who was attending his first meeting. Introductions were made.	
2	APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST	
i	Apologies were received from Committee Members Mrs C George, Mr G Hetherington and Co-Opted Committee 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.	
3.0	MINUTES OF THE 1 JULY 2022 COMMITTEE MEETING	
i	<u>RESOLVED:</u>	
	(i) To approve the 1 July 2022 minutes as an accurate record.	

Item	Action/ Report Item
3.1	MATTERS ARISING NOT ON THE AGENDA
i	The Committee's plans to review its terms of reference and draw up a revised Schedule of Business were discussed. It was agreed that the Committee would see a breakdown of all the sources of financial and other responsibility delegated to it, together with a proposal for how its responsibilities might most efficiently be discharged.
3.2	UPDATE ON AGREED ACTIONS
i	<u>To show the budget planning workbook to the Corporation as part of the budget presentation:</u> This had been actioned.
ii	<u>To write up the Committee SWOT analysis as an action plan for 2022-23:</u> This had been actioned and the report was on the agenda.
FINANCIAL STATEMENTS	
4	DRAFT FINANCIAL STATEMENTS AND MEMBERS' REPORT FOR 2021-22
i	The Executive Director of Finance Mrs R Meara ("RM") presented the draft financial statements and Members' report for 2021-22. <u>Financial Statements Audit Position</u>
ii	RM said the audit was progressing well; a number of control points had been identified but they were all classed as 'routine'. There were three outstanding items: (i) Sign-off of the accounts would be delayed due to an Education & Skills Funding Agency ("ESFA") funding audit (the Corporation had been randomly selected for audit). The financial statements auditor would not provide the audit opinion until the outcome of the ESFA audit was known. (ii) The Department for Education's decision on claw back in respect of any financial overperformance it identified against the Restructuring Fund financial targets. (iii) Calculation of any backdated liability relating to a recent Supreme Court decision in the case of Harper v Brazel, which had confirmed that a worker's right to paid annual leave is accumulated according to the working pattern of the worker. Mitigations would be put in place to reduce the impact of the decision going forwards (it was forecast to cost around £70k per annum on an ongoing basis) but the backdated liability could be up to £0.5m.
iii	RM said once RSM had audited those items, they would be posted in the accounts in January. The ESFA had granted an extension to the financial statements submission deadline to the end of January 2023. <u>2021-22 Financial Performance</u>
iv	The key measure of EBITDA ¹ performance was 12.7% for 2021-22. This was classed as 'outstanding' performance under the financial health measures. Good' financial health overall had been achieved in line with the Restructuring Fund financial plan.
v	RM compared the outturn with both the original budget and the revised budget approved at the mid-year review, which had identified a need to outperform in 2021-22 due to weak recruitment in year and targeted EBITDA £1m above the original budget. Pay savings in June/July 2022 had made possible the non-consolidated pay award, while the majority of the bottom line improvement had come from non-pay savings.

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
vi	A Member asked if any of the in-year savings had been made at the expense of student experience or quality. RM said the key savings had come from energy bills; the Corporation had not used all the contingency. She said there had been no reductions to operative frontline delivery staff; savings were made at the leadership and management level.	Report Item 1
vii	Corporation report: The Members' Report and Financial Statements 2021/22 are recommended for Corporation approval subject to three key matters: (i) The Department for Education decision on 'overperformance' against RF financial targets and any clawback of Restructuring Fund ('RF') monies; (ii) The outcome of the ESFA funding audit; (iii) An estimate of liability to be posted in respect of a recent Supreme Court employment law decision.	
OTHER BUSINESS		
5	ESFA FINANCIAL DASHBOARD	
i	The ESFA financial dashboard had become available since the papers were sent out and PD shared it on screen for discussion.	
ii	A chart on page 3 compared forecasting with outturn for the past three years. RM pointed to the impact of the unexpected hike in energy costs on financial planning. On the righthand side of the page, another graph showed the distribution of financial health grades across all FE colleges and sixth form colleges. This was an interesting picture; grades had been improving up to 2020-21 but were now moving in the other direction, with several colleges forecasting to move from 'Outstanding' to 'Good'.	
iii	A graph on page 4 showed the College income broken down by income stream to illustrate how reliant it was on each. Solvency was shown on page 5 with facing graphs depicting adjusted current ratio and adjusted cash days in hand. PD said adjusted cash days was on a downward trajectory based on the year-end position.	
iv	Profitability was illustrated on page 6. PD commented that there was a lot of work still to do on planning for 2023-24. Staff costs as a percentage of income had fluctuated and reduced in recent years to much closer to the Further Education Commissioner's benchmark.	
v	The level of borrowing (p7) was still relatively high but the College continued to service its debt and was reducing it year on year, now approaching the 40% mark. In response to a question, PD reminded the Committee that there was no option to pay off the local authority loan and there would be no benefit in repaying early. He said in any case, the College would need cash for capital investment and borrowing would be expensive.	
6	FINANCIAL REPORT	
i	The Head of Financial Performance Mr A Oldham ("AO") presented the management accounts and the Committee noted the headlines.	
ii	There was discussion about the College approach to budgeting for staffing and the factoring in of expected attrition. In response to a question, AO said the pay savings were split about equally across teaching and non-teaching staff. Vacancies were at a similar level to 2021-22; a large number had been carried forward from last year. Whereas the recruitment challenges used to be teaching positions in high end educational programmes such as engineering, roles in caretaking, cleaning and refectory were the ones proving hard to recruit to now.	

Item		Action/ Report Item
iii	A Committee Member asked about a comment in the notes to the accounts that the College was expecting a clawback in year for T Levels. AO explained that as recruitment had fallen short of expectations the funding body would recover the difference between what it paid for the T Levels and what it would have paid for a normal study programme.	AO
iv	In discussion about the presentation of the accounts: <ul style="list-style-type: none">➤ The forecast column was agreed to be a welcome addition;➤ The Chair said management had started including some additional narrative in the accounts to aid Governors' understanding of big ticket items such as AEB, 16-19 and apprenticeships and he had found this helpful; he wondered if this could be reinstated;➤ The Committee acknowledged the difficulty of producing different versions of the management accounts but discussed whether the breakdown of the pay budget by department was useful for its purposes or if it would be more helpful to see a curriculum v non-curriculum breakdown. RM explained that the breakdown by department was very useful from a management perspective.	
v	Action: Consider the Committee's comments about the breakdown of pay costs and staff FTE numbers in the management accounts, speak to HR about practicalities, and report to the next meeting.	
vi	Moving on to discuss the key financial challenges, AO said the main ones were energy costs and apprenticeships. He said, from what he had heard, by next year 10% of the national Further Education budget could be going on energy costs. PD said the College's procurement advisor was putting together a tender for utilities; given the likely length and value of a new supply contract, Corporation approval would be needed, potentially at short notice.	
vii	The conversation about escalating utility and other costs and the pressure on staff recruitment prompted discussion about the prospects for growth in the medium to long term and the factors and data that would inform any growth strategy.	
viii	Corporation report: The Committee received a report on the financial position based on the first three months' accounts. Some continuing trends around staff pay and recruitment prompted discussion about whether there were any prospects of growing the business in the medium to long term (the Committee notes that the new strategic plan does not indicate an intention to grow the business). While the strategic plan promises a supportive environment where staff feel recognised and excellent work is rewarded, the Committee agreed that these commitments were not reflected in the pay awards the Corporation had recently made. If there is a desire to increase pay, a balance will need to be struck between aspirations for staff reward and remuneration and student experience and financial health.	Report Item 2
16.50 Ms J Arechiga left the meeting. The Director of Estates and Facilities Mr P Sugden joined the meeting.		
ix	Action: Discuss prospects for income growth further.	PD,PS, Comm
7	TAYLOR HILL CAPITAL PROJECT AND REPORT FROM DIRECTOR OF ESTATES & FACILITIES	
i	The Chair welcomed the new Director of Estates and Facilities Mr P Sugden ("PS") to the meeting and introductions were made.	

Item	Action/ Report Item
<u>Taylor Hill</u>	
ii	The planned improvement works at the Taylor Hill campus were discussed. PS said the plan to construct a more energy efficient reptile house at the site had been somewhat disrupted by the Department for Education's decision to award a smaller capital grant than was originally anticipated, as well as escalating build costs.
iii	More recently, an issue had arisen in relation to protected species as the bat and newt survey had identified great crested newts on the site. Compliance with survey and planning requirements would increase costs and could also delay the works beyond the date by which the grant money had to be spent, so the College was in discussion with the Department about an extension.
iv	PS said a cost consultant had provided an estimate of additional costs and it was hoped that cost savings could be identified through value engineering ² to bring the project back on budget.
v	Corporation report: The Committee received an update on a programme of capital works planned for the College's Taylor Hill Animal Centre. The College has experienced some setbacks on this project; it was not awarded as much grant funding as was anticipated and a risk has been identified around great crested newt habitats in the area, which is expected to cause delays and additional costs, and may put the grant funding at risk.
	<u>Building Costs and Estate Utilisation</u>
vi	PS said the College could potentially be looking at gas and electricity costs doubling from April 2023.
vii	Teaching space was running at approximately 36% based on timetabling reports.
viii	Corporation report: The meeting discussed utility costs and estate utilisation. The main concern was the anticipated sharp rise in utility costs once the current deals expire at the end of March 2023.
8	FINANCIAL REGULATIONS APPROVALS
i	<u>RESOLVED:</u> (i) To approve the requisitions (Orders PO15197 and PO15198) particularised in the Executive Finance Director's report. (ii) To approve the use of a sole supplier as detailed in the Executive Finance Director's report.
ii	Corporation report: In line with the Financial Regulations, the Committee provided approvals as detailed in the minutes.
iii	A Committee Member referred to the requirement set out in the Financial Regulations that any individual capital scheme with an expected total value exceeding £100,000 including VAT be categorised as a major capital programme, to be closely scrutinised by the Finance Committee and approved by the Corporation. The Member observed that £83k plus VAT would be quite a minor project these days and this may not be an efficient use of Governors' time.
iv	Corporation report: The Corporation might consider reviewing its risk tolerance with
Report Item 3	
Report Item 4	
Report Item 5	
Report	

² Value engineering is a systematic and creative method used to increase the value of a product or service. It is a technique used to reduce the cost of a product or service while retaining quality, reliability and safety.

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	regard to the financial threshold for Governor approval and monitoring of capital projects. It is currently set at £83k plus VAT, which might be considered too cautious.	Item 6
9 i ii	<p>AMENDMENT OF COLLEGE BANK MANDATE</p> <p><u>RESOLVED:</u></p> <p>(i) To approve an amendment to the College bank mandate: to add the Vice Principal Finance & Resources Mr P Doherty to the Block B signature block.</p> <p>(ii) To approve the submission of the revised mandate to the bank for processing.</p> <p>Corporation report: The Committee approved an amendment to the College bank mandate: the addition of the new Vice Principal Finance & Resources as a signatory.</p>	Report Item 7
GOVERNANCE, MATTERS TO NOTE AND ADMINISTRATION		
10 i	<p>COMMITTEE SELF-ASSESSMENT FINDINGS AND DEVELOPMENT PLAN</p> <p>The Committee had used a SWOT³ analysis template to structure a conversation about its performance and effectiveness. This had not identified any significant areas of concern but respondents had expressed an interest in broadening the scope of the Committee's remit, feeling it was overly focused on monitoring. It was acknowledged that a skills review would be needed once any new remit was agreed.</p>	
11 i	<p>DATE OF NEXT MEETING</p> <p>Tuesday 14 March 2022, 3pm</p>	
12 i	<p>PUBLICATION OF AGENDA PAPERS</p> <p><u>RESOLVED:</u></p> <p>(i) Items marked on the Agenda as confidential plus the confidential minutes of the last meeting shall not be made public.</p>	

³ SWOT analysis is a strategic planning and strategic management technique used to help identify Strengths, Weaknesses, Opportunities, and Threats

Items of Report for Corporation		
Item	Details	Min
1.	<p>The Members' Report and Financial Statements 2021/22 are recommended for Corporation approval subject to three key matters:</p> <p>(iv) The Department for Education decision on 'overperformance' against RF financial targets and any clawback of Restructuring Fund ('RF') monies;</p> <p>(v) The outcome of the ESFA funding audit;</p> <p>An estimate of liability to be posted in respect of a recent Supreme Court employment law decision.</p>	4vii
2.	<p>The Committee received a report on the financial position based on the first three months' accounts. Some continuing trends around staff pay and recruitment prompted discussion about whether there were any prospects of growing the business in the medium to long term (the Committee notes that the new strategic plan does not indicate an intention to grow the business). While the strategic plan promises a supportive environment where staff feel recognised and excellent work is rewarded, the Committee agreed that these commitments were not reflected in the pay awards the Corporation had recently made. If there is a desire to increase pay, a balance will need to be struck between aspirations for staff reward and remuneration and student experience and financial health.</p>	6viii
3.	<p>The Committee received an update on a programme of capital works planned for the College's Taylor Hill Animal Centre. The College has experienced some setbacks on this project; it was not awarded as much grant funding as was anticipated and a risk has been identified around great crested newt habitats in the area, which is expected to cause delays and additional costs, and may put the grant funding at risk.</p>	7v
4.	<p>The meeting discussed utility costs and estate utilisation. The main concern was the anticipated sharp rise in utility costs once the current deals expire at the end of March 2023.</p>	7viii
5.	<p>In line with the Financial Regulations, the Committee provided approvals as detailed in the minutes.</p>	8ii
6.	<p>The Corporation might consider reviewing its risk tolerance with regard to the financial threshold for Governor approval and monitoring of capital projects. It is currently set at £83k plus VAT, which might be considered too cautious.</p>	8iv
7.	<p>The Committee approved an amendment to the College bank mandate: the addition of the new Vice Principal Finance & Resources as a signatory.</p>	9ii