Kirklees College Corporation

FINANCE & RESOURCES COMMITTEE

<u>Restricted minutes of a special meeting held at 11.00 on 13 October 2023 in Room 9, 5th Floor Waterfront Quarter</u>

Present:

	Mr C Robinson	Independent Member (Chair)
	Ms C George	Independent Member
	Mr P Singh	Principal & Chief Executive
	Mr G Hetherington	Independent Member (by videolink)
	Mr D Milton	Co-opted Member
Attendance:	5/5 = 100%	KPI 80% Quorum: 3
In Attendance:	Ms J Arechiga	Vice Principal Curriculum
	Ms A Clegg	Head of Financial Operations
	Mr P Doherty	Vice Principal Finance & Resources
	Ms J Green	Director of Governance (meeting clerk)
	Mr A Oldham	Head of Financial Performance
	Mr M Rooney	HR Consultant (Item 3 onwards)

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PRELIMINARY ITEMS		
0	**WELCOME AND INTRODUCTIONS**	
i	The Chair welcomed everyone to the special meeting.	
1.1	**NOTICE AND QUORUM**	
i	The Director of Governance & Compliance Ms J Green ("JG") 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 met and the meeting was quorate.	
1.2	**APOLOGIES FOR ABSENCE**	
i	There were no apologies.	
1.3	**DECLARATIONS OF INTEREST**	
i	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.	
SUBSTANTIVE ITEMS		
2	**FINANCIAL STRATEGY DISCUSSION**	
i	Vice Principal Finance & Resources Mr P Doherty ("PD") and Head of Financial Performance Mr A Oldham ("AO") spoke to slides, succinctly describing the context in terms of the economic climate, the College's historical and recent financial performance, the success metrics applied by the funding body, and the Corporation's expressed ambition to deliver 'strong sustainable financial performance'.	
ii	Reflecting on how the College might approach the challenge of articulating its financial strategy, the Committee identified numerous themes, with a particular focus on the	

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	student experience ambition and the need to set and maintain adequate reserves to respond to unplanned adverse events, and fund investment in the future, particularly in terms of curriculum resource and innovation. Investment in people was also agreed to be essential; Members emphasised the need to position the College favourably in the competitive job market.	
iii	The Committee agreed that the Corporation should aim to take a balanced approach towards performance against external metrics. Maintaining a satisfactory scorecard was important but complete capitulation to the external quality framework could inhibit innovation and frustrate Governors' strategic ambitions. A Member pointed out that 'pay costs as a percentage of income' had been a hot topic for the Committee over the years and it was notable that the AoC recommendation that colleges apply the additional funding they would be getting to staff pay would push many over the 65% benchmark.	
iv	The Committee considered the level of reserves that it might be appropriate for the Corporation to hold. It was agreed that this should take into account a base level of operating cash, any payments received in advance, any one-off future payments, and a level of risk mitigation amongst other considerations.	
v	A Member referred to the Education & Skills Funding Agency ("ESFA") financial health score 'gearing' metric and the fact that the Corporation was already above normal ESFA tolerance levels. It was agreed that this would be a key consideration if any new borrowing was considered.	
vi	Members noted that the current corporate strategy ran from 2022 to 2025 and therefore, in the main, strategy relating to growth, pay and other operational issues was already set. However, the Committee was keen to commence on the 2025-28 financial strategic plan once the current financial strategy for 2022-25 was finalised. It would need to sit alongside the estates and curriculum strategies, taking account of any significant future capital needs.	
	<u>Next Steps</u>	
vii	**Action:** To facilitate an estates strategy discussion at the next Finance & Resources Committee meeting, together with a draft or working document financial strategy.	PS, PD
viii	**Corporation report:** The Committee discussed the building blocks of the new financial strategy. Among other things, this will articulate the relationship between financial policy, risk appetite and tolerance, and the achievement of goals for growth and innovation.	Report Item 1
3	**STAFF PAY PROPOSAL**	
HR Consultant Mr M Rooney joined the meeting.		
i	The Chair welcomed HR Consultant Mr M Rooney ("MR") to the meeting.	
ii	Before discussing the proposal, the Committee had due regard for Charity Commission guidance 'It's Your Decision - Trustees and Decision-making', noting as follows:	
	<u>Act within Powers</u>	
iii	Pursuant to sections 18 and 19(1) of the Further and Higher Education Act 1992, the Corporation had the power to provide further and higher education and to do anything which appeared to it to be necessary or expedient to pursue its aims in this respect, including setting appropriate pay rates for its staff.	
	<u>Manage Conflicts of Interests</u>	
iv	Declarations of interest had been invited at the outset of the meeting. As senior post	

	holder pay was set separately from that of other staff, the Principal and Vice Principals, who were recommending the proposals, only had an indirect interest in the outcome.	
	<u>Act in good faith and only in the interests of the charity</u>	
v	The Committee could not propose a pay rise unless it genuinely believed that doing so was in the interests of carrying out the charity's objects both now and in the future, i.e. any benefit to staff or any other third parties (including satisfying the desire of Committee Members and Governors to treat staff well) must essentially be incidental.	
	<u>Act only when sufficiently informed, taking account of relevant factors and ignoring any irrelevant factors</u>	
vi	Guided by PD, who it acknowledged as an expert advisor, the Committee discussed the rationale for each of the six elements of the staff pay proposal and examined the key assumptions and how they fed into the financial model. It considered the context for the proposal in terms of inflation and the cost of living, and the impact on staff productivity and morale, recruitment and retention. It also looked at the College's anticipated income and expenditure for the three years to 2025-26, considering each of the main income lines and examining the financial plan numbers (with PD identifying key variations from the Financial Plan). Finally, it considered the Association of Colleges pay recommendation and the expectations of the Department of Education in terms of the application of the additional Further Education funding. PD said, as the additional funding had been built into the ESFA's baseline funding allocation, it was unlikely to be withdrawn post 2024/25. Appendix 2 to PD's paper set out (trade union) UCU's position on the proposal. The union's representations were considered. In response to a question, MR outlined the principles of the 'Bradford College Contracts of Employment Policy' (a document referred to in the UCU representations).	
vii	Noting that elements 4, 5 and 6 of the proposal were concerned with the rates of pay for particular roles (part time hourly paid members of the teaching staff, Main Grade Lecturers, and Programme Leads respectively), the Chair observed that the Committee should focus on affordability and not stray into operational matters.	
viii	In addition to the proposed 2023/24 pay award changes, there was a proposal to advance an amount of additional staff pay five months earlier than usual, i.e. with effect from 1 November 2023. The Committee discussed the rationale for this and agreed that, in light of an earlier resolution to consider making an award in 2023-24 based on the 2022-23 overachievement of EBITDA[1] against plan, the expectations of the Department to spend the additional money on staff pay as soon as practicable and the behaviour of other local colleges (many being committed to bringing the pay award forward), were relevant factors in this regard.	
ix	Element 3 of the proposal aimed to bring minimum College salaries in line with the 'real living wage' to reflect the cost of living and ensure that staff were able to meet the everyday needs of themselves and their families. The Committee noted that there was evidence that paying the 'real living wage' tended to strengthen employer brands, boost staff productivity and motivation at work, and improve customer experience. As planned rate increases to National Minimum Wage and Real Living Wage would not be announced until after the Corporation meeting, prudent assumptions had been made and PD had estimated that the cost of every 10 pence difference in either direction was approximately £70k. Members agreed that adopting a minimum pay rate equivalent to the Real Living Wage would be good for the College brand.	

[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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x	The Committee looked at the management projection of how implementing the proposals would impact EBITDA and the financial health score over the next three years. A concern was raised that implementing element 3 of the proposal from November might be incautious given the risk of failing to maintain a financial health score of at least 200. The Principal responded, saying the senior leadership team was confident of delivering the planned EBITDA, would achieve a minimum financial health score of 200 in the 24-25 budget proposal, and had no plans for any major capital commitments in the near future, so the risk was limited.	
xi	The meeting discussed the possibility of further strike disruption and agreed that, while this was a relevant consideration for the Committee, the risk would have to be tolerated, as going beyond what was proposed would take the College beyond risk tolerance levels.	
xii	Once Members had asked some additional questions and further discussion had been had, the Chair summed up, articulating the Committee's conclusions and advice for the Corporation, which was agreed to be as follows.	
xiii	**Corporation report:** The Committee advises as follows: ➢ The Corporation has the power (pursuant to the Further & Higher Education Act 1992) to set an appropriate rate of staff pay; ➢ Having reflected on Governors' fiduciary duties of good stewardship and active financial management and having considered in detail a number of relevant factors, including the anticipated impact on the financial position over time and the assumptions this was based on, the Committee was satisfied that implementing the proposals would have a net positive impact on the student experience and the delivery of education in both the short and longer-term; ➢ Committee Members recognised that their strong desire to treat staff in a way they felt was compassionate and fair was not a relevant factor in and of itself but they were objectively satisfied that increasing staff pay was in the interests of the charity and would further the education for current and future students; ➢ A Member's concern about the timetable for implementing the proposals placing the financial health score at risk was mitigated by the Principal's assurance that the management team was committed to achieving the target EBITDA and a minimum financial health score of 200 in the 2024-25 budget proposal and accepting of the fact that implementing the proposals could curtail the Corporation's ability to commit to significant capital projects; ➢ Element 3 of the proposal would commit the Corporation to matching its minimum pay point to the level of the 'Real Living Wage'. Management's financial modelling assumed that the Real Living Wage would increase by £1.00 to £11.90 per hour - but announcement of the actual figure would be 24 October, i.e. the day after the Corporation meeting. To avoid fixing the minimum pay point at an arbitrary and potentially unaffordable level, the Committee recommends that element 3 be expressed as "Minimum rate of pay: the lower of £11.90 and the amount payable by Accredited Living Wage employers following the announcement by the Living Wage Foundation of the increase to its Real Living Wage rate, expected on 24 October 2023". ➢ While the staff pay proposal is not without risk, the Committee is in favour of accepting that risk in the interests of making a long-overdue investment in resourcing our curriculum and enhancing the student experience.	Report Item 2
xiv	Wrapping up the lengthy discussion, the Chair thanked PD, AO, and the rest of the management team for their hard work in preparing and presenting the pay proposal.	

Item		Action/ Report Item
MATTERS TO NOTE AND ADMINISTRATION		
4 I	**DATE OF NEXT MEETING** Monday 27 Nov 2023.	
5 I	**PUBLICATION OF AGENDA PAPERS** **<u>RESOLVED:</u>** **(i) All items marked confidential on the meeting Agenda shall not be published.**	

#	Details	Min
Items of Report for Corporation		
1.	The Committee discussed the building blocks of the new financial strategy. Among other things, this will articulate the relationship between financial policy, risk appetite and tolerance, and the achievement of goals for growth and innovation.	2viii
2.	The Committee advises as follows: ➢ The Corporation has the power (pursuant to the Further & Higher Education Act 1992) to set an appropriate rate of staff pay; ➢ Having reflected on Governors' fiduciary duties of good stewardship and active financial management and having considered in detail a number of relevant factors, including the anticipated impact on the financial position over time and the assumptions this was based on, the Committee was satisfied that implementing the proposals would have a net positive impact on the student experience and the delivery of education in both the short and longer-term; ➢ Committee Members recognised that their strong desire to treat staff in a way they felt was compassionate and fair was not a relevant factor in and of itself, however, they were objectively satisfied that increasing staff pay was in the interests of the charity and would further the education for current and future students; ➢ A Member's concern about the timetable for implementing the proposals placing the financial health score at risk was mitigated by the Principal's assurance that the management team were committed to achieving the target EBITDA and a minimum financial health score of 200 in the 2024-25 budget proposal and accepting of the fact that implementing the proposals could curtail the Corporation's ability to commit to significant capital projects; ➢ Element 3 of the proposal would commit the Corporation to matching its minimum pay point to the level of the 'Real Living Wage'. Management's financial modelling assumes that the Real Living Wage will increase by £1.00 to £11.90 per hour - but we will not know the actual figure until 24 October, i.e. the day after the Corporation meeting. To avoid fixing the minimum pay point at an arbitrary and potentially unaffordable level, the Committee recommends that element 3 be expressed as "Minimum rate of pay: the lower of £11.90 and the amount payable by Accredited Living Wage employers following the announcement by the Living Wage Foundation of the increase to its Real Living Wage rate, expected on 24 October 2023". ➢ While the staff pay proposal is not without risk, the Committee is in favour of accepting that risk in the interests of making a long-overdue investment in resourcing our curriculum and enhancing the student experience.	3xiii