

Kirklees College Corporation

FINANCE COMMITTEE

Minutes of a meeting held at 15.00 on 29 June 2023 in the Conference Suite, Waterfront Quarter and via Microsoft Teams videoconference

Present:

Mr C Robinson	Independent Member (Chair)
Ms C George	Independent Member
Mr P Singh	Principal & Chief Executive
Mr D Milton	Co-opted Member

Attendance: 4/5 = 80% 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 G Peck	Consultant, Item 7 only
	Mr P Sugden	Director of Estates and Facilities (Items 7 and 8)

Item		Action/ Report Item
PRELIMINARY ITEMS		
0	WELCOME AND INTRODUCTIONS	
i	The Chair welcomed everyone, in particular Mr D Milton ("DM") who had been appointed to the Committee on an interim basis by the Chair pending appointment by the Corporation. Introductions were made.	
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	Apologies were received from Independent Member Mr G Hetherington.	
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.	
2	MINUTES OF THE 14 MARCH 2023 COMMITTEE MEETING	
i	Some proposed changes were put forward by the Chair relating to recommendations and actions from the previous meeting. They were agreed to better reflect the discussions. <u>RESOLVED:</u> (i) Subject to agreed amendments, to approve the 14 March 2023 minutes as an accurate record.	

Item	Action/ Report Item
2.3	MATTERS ARISING NOT ON THE AGENDA
i	Nothing was raised that was not on the Agenda.
2.4	UPDATE ON AGREED ACTIONS
i	<u>Notify the People, Culture & Governance Committee of an impending vacancy on the Committee that must be filled:</u> Actioned; Governor interviews would take place on 5 July.
ii	<u>Ascertain whether Mr Croston is able to continue on the Committee:</u> Actioned.
iii	<u>Discuss prospects for income growth further (rolled over):</u> To discuss.
iv	<u>Brief the Committee (and/or possibly the new Curriculum Strategy Group) on the strategic approach to full cost income for 2023/24 (rolled over):</u> To discuss
v	<u>Chair of Finance Committee to be invited to observe a curriculum business planning meeting:</u> Actioned but Chair was not available at short notice.
vi	<u>Agreement of the bank mandate to be on the next Committee agenda:</u> On the Agenda.
vii	<u>Review the £2m limit on the amount of cash that may be deposited with any UK authorised bank or building society:</u> On the Agenda.
CORE BUSINESS	
3	MONTHLY FINANCIAL REPORT
i	The Head of Financial Performance Mr A Oldham ("AO") presented the accounts for the period 1 August 2022 to 31 May 2023, together with his commentary report.
ii	The key performance indicators RAG rated 'Amber' and 'Red' were discussed. The tuition fee budget had underperformed but the three main income lines were at, or just short of, target and the underperformance on income was offset by underperformance on expenditure, specifically pay. The College expected to deliver an EBITDA ¹ in excess of budget.
iii	There was discussion about levels of Adult Education Budget ("AEB") subcontracting and future plans in this regard. The Principal Mr P Singh said the College had grown its AEB and the proportion subcontracted remained low relative to previous years. He said recent increases had been made conscientiously in line with the College's subcontracting policy, using 'high quality and low risk' providers to meet a specific local need for work-based academies.
iv	A Member queried whether the management accounts showed a level of subcontracting beyond that approved by the Corporation. AO explained that subcontracting and partnership activity made up the total; but partnership activity did not count as subcontracting for the purposes of the funding rules.
v	The risk of clawback of Restructuring Fund overperformance was felt to be increasing. Vice Principal Finance & Resources Mr P Doherty ("PD") reminded the Committee that provision of £683k had been made in the 2021/22 financial statements, but that the total potential clawback per the Restructuring Fund agreement was a maximum of £1.3m. He said the College had had unusually strong financial performance over the past two years and the case submitted by his predecessor Mrs R Meara for reducing the liability had

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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vi	<p>been rejected by the funding body. In addition, all colleges that had received additional support had been sent an additional template to submit alongside the College Financial Forecasting Return, presumably with a view to invoking the overperformance clause.</p> <p>Corporation Report: The Committee received and discussed a report which provided good assurance on the College's financial position. Governors were sent the link to the management accounts by email on 23 June.</p>	Report Item 1
<p>4</p> <p>i</p> <p>ii</p> <p>iii</p> <p>iv</p> <p>v</p> <p>vi</p>	<p>2023-24 BUDGET AND THREE-YEAR PLAN</p> <p>It was noted that the College was required to submit a three-year College Financial Forecast Return (the "Return") to the ESFA, providing:</p> <ul style="list-style-type: none"> ➤ the outturn for 2022-23; ➤ the budget for 2023-24; ➤ a forecast for 2024-25; and ➤ a budget commentary paper (included in the meeting pack). <p>The Return would confirm (among other things) the review and approval of the 2023-24 budget (including a College Financial Forecasting Return spreadsheet) by the Corporation.</p> <p><u>Budget 2023-24</u></p> <p>PD outlined the methodology the College had applied to arrive at the proposed budget. He said a degree of prudence had been built in and the overriding aim had been to maintain financial health, generating sufficient EBITDA to cover debt repayments and capital investment.</p> <p>AO shared on screen an amended version of the budget paper which incorporated a few corrections/adjustments. He spoke to the various changes and they were noted.</p> <p><u>Income</u></p> <p>The three main income lines (together 80% of total income) were discussed:</p> <ul style="list-style-type: none"> ➤ The College having had its 2023-24 16-18 allocation, this was not seen as a risk; ➤ Apprenticeships had been de-risked, following some underperformance in 2022-23; ➤ The College was budgeting for an increase in Adult education. <p>A Member remarked on the anticipated rise in student numbers and asked what assurances the Corporation could have that growth targets would be achieved. Vice Principal Ms J Arechiga ("JA") said a key factor was New College Huddersfield closing programmes; the displaced learners were expected to join the College. Construction and T Levels had seen an increase in applications and a recent open evening had been very busy. T level applications had almost doubled and a good number of offers were expected to convert into enrolments. Through a robust business planning process, management had gained a high level of confidence that internal progression would perform better than in previous years; in particular, the vast majority of T level students would progress to Year 2 of their programmes. The numbers had also been de-risked; for example, the 2023-24 curriculum plan was for 3,819 learners but for budget purposes, the R14² number (end of academic year) was 3,719.</p> <p>Apprenticeships had underperformed in previous years. AO said the income target had been de-risked to match what was achieved in 2022-23 and there was a high level of confidence in this regard. The meeting noted that maintaining the previous year's numbers in a shrinking market would be an achievement.</p>	

² R14 is the fourteenth and final Education & Skills Funding Agency (ESFA) individualised learner record (ILR) data collection period for colleges during the financial year.

Item		Action/ Report Item
vii	Higher Education & Skills looked set to continue to underperform, particularly following Huddersfield University's unilateral withdrawal from its validation agreement, which had caused the College to lose valuable business.	
viii	Corporation report: In light of the declining Higher Education & Skills income (it has almost halved since 2019-20), the Committee suggests that the new Curriculum Strategy Committee be asked to consider risk appetite and strategy (particularly target market).	Report Item 2
ix	An increase in full cost was expected thanks to space being used for end point assessments for third parties.	
x	Interest receivable had been set at a very achievable level. A Member commented that any overperformance would offset any shortfalls elsewhere.	
	<u>Expenditure – Pay</u>	
xi	The Committee was pleased to hear that, whereas previous budgets had assumed full staffing all year, the 2023-24 budget had what was agreed to be a prudent vacancy factor built in. PD said provision had also been made for a possible pay award for 2023-24.	
xii	There was discussion about staffing costs in light of the increasing learner numbers. JA said class sizes would increase to absorb the additional students for the most part. JG referred to an outstanding query from the People, Culture & Governance Committee about the adequacy of supervision ratios in higher risk areas such as workshops and asked if JA could give an assurance in this regard. JA said the areas where growth was expected were mainly classroom based. She said, for workshop, lab, kitchen etc based practical sessions, student numbers were limited by the available number of workstations or bays, so the College could not easily increase student numbers in such classes.	
xiii	Management agreed to review the pay costs for 2024-25 to ensure that they reflected any projected 2023-24 and 2024-25 increases.	
	<u>Expenditure – Non Pay</u>	
xiv	AO explained how the non-pay budgets had been arrived at and emphasised the level of challenge the senior team had brought to those discussions. A Member commented on the risk of inflation and AO said this had been absorbed within the budget. The Committee spent time discussing the estates and facilities budget and energy costs and noted that the budget did not reflect any savings from the solar panel installations.	
xv	Corporation report: In discussing the budget paper, the Committee noted the need for a strategic discussion about what the Corporation is aiming at from a financial perspective over the next few years. The budget paper refers to 'the financial strategy' but the Corporation is yet to formally approve a financial strategy to underpin the 2022-25 corporate strategy. Such a discussion will need to sit alongside related discussions about the 2023-24 strategic priorities and the estates and carbon reduction/improving environmental sustainability strategies for 2022-25. The Committee will convene a special meeting in October to lay the groundwork for such discussions.	Report Item 3
xvi	Action: Convene a special meeting in October for a strategic discussion about finance.	JG
xvii	Corporation report: The Committee discussed the budget paper in detail. The paper and our discussions with management provided a good level of assurance that the planning process was thorough and the proposed budget is fit for purpose and based on sound assumptions. If the proposed budget is adopted and is achieved, it will result in a 'Good' financial health score. However, while acknowledging that the 2024-25 projections are only intended to be a preliminary indication, the Committee notes that the financial health score across 23-24 and 24-25 is declining and the Corporation should note this as	Report Item 4

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xviii	<p>a potential risk. The Committee should like to acknowledge the hard work of the Finance Team, supporting teams and all budget holders in putting the budget together.</p> <p>Action: Involve Governors in budget planning meetings next year, ideally for the same curriculum areas as for the self-assessment panel meetings the Governors attend.</p>	PD
8	<p>ESTATES AND FACILITIES REPORT</p> <p><i>Director of Estates & Facilities Mr P Sugden joined the meeting.</i></p> <p>i As the previous item had overrun its allocated timeslot, it was agreed that this item and item 7 should be taken out of time.</p> <p><u>Taylor Hill</u></p> <p>ii Corporation report: The Committee was updated on progress on the ongoing construction project at Taylor Hill. This is progressing on budget and on schedule. Some savings are expected to be made on the internal fit-out and this will not affect the quality of the visitor experience.</p> <p><u>Estate Strategy and related work</u></p> <p>iii A consultant had been engaged to work with the College on the new estate strategy and work underway on space utilisation would provide a baseline to inform future planning. A maintenance programme was also in development. A condition survey from 2021 had identified the lifespan of significant assets and a further survey was planned to provide more granular detail. Work had begun on the environmental/carbon reduction strategy.</p> <p>iv Action: Bring an action plan to the next ordinary Finance & Resources Committee meeting, showing key actions towards compiling the estate strategy and related strategies/programmes.</p>	<p>Report Item 5</p> <p>PS</p>
7	<p>FINANCIAL REGULATIONS APPROVALS</p> <p><u>Solar Electricity Panels Procurement</u></p> <p>i The Director of Estates & Facilities Mr P Sugden ("PS") presented his report, explaining that he was seeking approval for an amount of expenditure on the installation of solar panels at the Springfield Sixth Form Centre in Dewsbury.</p> <p>ii In response to Members' questions, PS said although the peak season for electricity generation had not yet arrived (so the solar panels the College had installed at its other sites were not yet running at full capacity) performance to date indicated an excellent return on investment. The unused capital allocation from 2022-23 would be carried forwards into next year to pay for the installation.</p> <p>iii RESOLVED:</p> <p>(i) To approve the proposed spend (detailed in the 29 June 2023 management paper) on solar panel installation at Springfield Sixth Form Centre and to note a level of carry forward from the capital budget in respect of this.</p> <p><i>17.10 Mr G Peck of Risk2value joined the meeting; Mr P Sugden left the meeting.</i></p> <p><u>Insurance Cover Procurement</u></p> <p>iv Financial Controller Ms A Clegg ("AC") presented the report, explaining that the College had gone out to tender for insurance and had obtained quotes from two prospective suppliers, both well reputed and established firms with specialist education sector offerings. AC introduced Mr G Peck ("GP") from consultancy firm Risk2value Ltd who was supporting the College in the tender process.</p>	

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v	Members compared the two proposals, contrasting various aspects and commenting on the levels of cover that had been offered and the pricing. There was concern about the adequacy of the flood and storm cover the insurers were offering but GP said, based on previous experience, it was likely they would increase this on request. There was agreement that additional conversations would need to be had with the preferred insurance provider around the flood and storm cover.	
vi	There was discussion about the total loss that might occur at any one location and whether the level of cover on offer would be adequate. One provider had offered a higher level of cover in this regard but neither would provide cover for the likely full cost of reinstating the Waterfront building unless an additional premium was paid.	
vii	The Committee discussed whether additional terrorism cover should be taken and eventually agreed that it should not. GP said colleges based in central London and/or close to government buildings usually took out cover, whereas rurally based colleges tended not to. He cautioned that insurance companies used a narrow definition of 'terrorism' and would not pay out claims that did not fit it exactly.	
viii	It was agreed that FE Protect (being the preferred supplier) should be appointed but the Committee asked the management team to continue negotiations with FE Protect with a view to obtaining further assurances around the adequacy of the cover for flood and storm damage and total loss insurance, as well as to better understand the nature and cost of the mandatory risk improvements that were a condition of cover.	
ix	<u>RESOLVED:</u> (i) To approve FE Protect as the College's insurance provider from 1 August 2023.	
x	Corporation report: The Committee approved the purchase of insurance cover offered by insurance company FE Protect. Further reporting at the Committee's next meeting will provide more assurance in respect of the adequacy of the cover. A separate policy with Aviva provides cover up to a limit of £1 million for Directors and Officers liability.	Report Item 6
Mr G Peck left the meeting.		
	<u>Other Approvals</u>	
xi	<u>RESOLVED:</u> (i) To approve the requisition (Order PO17146) per the management report.	
6	REVIEW OF FINANCIAL REGULATIONS AND TREASURY MANAGEMENT POLICY	
i	AC updated the Committee on progress on the review of the Financial Regulations and the deposit of funds with Barclays, which had been subject to delays caused by Barclays. A Member emphasised the need to move quickly to deposit the funds, given the amount interest the money could potentially be earning and this was agreed.	
ii	A Member referred to the Treasury Management Policy the Committee had approved at its March 2023 meeting and the agreed action to review the £2m limit on the amount of cash that may be deposited with any UK authorised bank or building society. The Member proposed that this might be increased to £5m and this was agreed.	
iii	<u>RESOLVED:</u> (i) To amend the College Treasury Management Policy by substituting "£5m" for "£2m" in the sentence "Up to £2m with a UK authorised bank or building society which has a minimum A/A2/A long term counterparty credit rating assigned by any two approved rating agencies" in the supporting schedule on	

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	<p>risk management – and to adopt the new version with immediate effect.</p> <p>(ii) To approve a deposit of up to £5m with Barclays, subject to the bank continuing to meet the minimum credit rating requirements stipulated in the Treasury Management Policy.</p> <p>(iii) To note that management will be placing some of the funds currently held in the College’s approved clearing bank Lloyds onto deposit with Lloyds.</p> <p>Action: Explore whether the College has access to the Public Sector Deposit Fund.</p> <p><u>Bank Mandate</u></p> <p><u>RESOLVED:</u></p> <p>(i) To approve amendments to the College bank mandate to remove Mr M Bennington and Mrs R Meara.</p>	AC
iv		
v		
5	<p>STAFF PAY REVIEW</p> <p>Corporation report: The Committee considered a management proposal relating to staff pay, noting in particular advice from the financial statements auditor. It recommends as follows:</p> <ul style="list-style-type: none">➤ A review of staff pay and responsibilities is undertaken and concluded in Autumn 2023;➤ No commitment to the review outcomes is made at this stage;➤ Recommendations would be subject to Corporation Board approval at the conclusion of the review;➤ A pay award is approved in principle in July 2023 for the purposes of an accrual being made in the 2022/23 financial statements. This accrual would directly relate to financial over-performance against budget in 2022/23 and therefore would maintain a minimum EBITDA outturn at the budget of £2.8m;➤ The provision made in the 2022/23 financial statements directly results from the financial over-performance and is made available to review and re-set relevant salaries, if subsequently agreed. <p>JG reminded the meeting that the Corporation, when making decisions, must consider the charity’s objects and what it is trying to achieve and act in the (best) interests of carrying out those objects, both now and in future years. She said in other words, when the Corporation came to make decisions about staff pay, those decisions must be made with a view to furthering the College’s educational purpose, rather than for any other reason and any management proposal would need to be articulated in those terms.</p>	Report Item 7
i		
ii		
MATTERS TO NOTE AND ADMINISTRATION		
9	<p>DATE OF NEXT MEETING</p> <p>Monday 27 Nov 2023.</p>	
i		
10	<p>PUBLICATION OF AGENDA PAPERS</p> <p><u>RESOLVED:</u></p> <p>(i) All items marked confidential on the meeting Agenda shall not be published.</p>	
i		

COMMITTEE SELF ASSESSMENT		
11	COMMITTEE SELF-ASSESSMENT <u>Skills</u> i It was agreed that an additional finance professional would be welcome on the Committee. <u>Performance</u> ii The meeting pack included a governance report which showed that the Committee had attended to everything in its remit, as per its schedule of business. <u>Terms of Reference and Schedule of Business 2023-24</u> iii Corporation report: The Committee has reviewed its Terms of Reference and draft Schedule of Business for 2023-24. It recommends an amended version of its Terms of Reference for Corporation approval, together with the Schedule of Business.	Report Item 8
OTHER BUSINESS		
0	OTHER BUSINESS i Congratulations were extended to AC for achieving her full Chartered Institute of Public Finance and Accountancy qualification (obtained via a College apprenticeship).	

Items of Report for Corporation		
#	Details	Min
1.	The Committee received and discussed a report which provided good assurance on the College's financial position. Governors were sent the link to the management accounts by email on 23 June.	3vi
2.	In light of the declining Higher Education & Skills income (it has almost halved since 2019-20), the Committee suggests that the new Curriculum Strategy Committee be asked to consider risk appetite and strategy (particularly target market).	4viii
3.	In discussing the budget paper, the Committee noted the need for a strategic discussion about what the Corporation is aiming at from a financial perspective over the next few years. The budget paper refers to 'the financial strategy' but the Corporation is yet to formally approve a financial strategy to underpin the 2022-25 corporate strategy. Such a discussion will need to sit alongside related discussions about the 2023-24 strategic priorities and the estates and carbon reduction/improving environmental sustainability strategies for 2022-25. The Committee will convene a special meeting in October to lay the groundwork for such discussions.	4xv
4.	The Committee discussed the budget paper in detail. The paper and our discussions with management provided a good level of assurance that the planning process was thorough and the proposed budget is fit for purpose and based on sound assumptions. If the proposed budget is adopted and is achieved, it will result in a 'Good' financial health score. However, while acknowledging that the 2024-25 projections are only intended to be a preliminary indication, the Committee notes that the financial health score across 23-24 and 24-25 is declining and the Corporation should note this as a potential risk. The Committee should like to acknowledge the hard work of the Finance Team, supporting teams and all budget holders in putting the budget together.	4xvi
5.	The Committee was updated on progress on the ongoing construction project at Taylor Hill. This is progressing on budget and on schedule. Some savings are expected to be made on the internal fit-out and this will not affect the quality of the visitor experience.	8ii
6.	The Committee approved the purchase of insurance cover offered by insurance company FE Protect. Further reporting at the Committee's next meeting will provide more assurance in respect of the adequacy of the cover. A separate policy with Aviva provides cover up to a limit of £1 million for Directors and Officers liability.	7x

7.	<p>The Committee considered a management proposal relating to staff pay, noting in particular advice from the financial statements auditor. It recommends as follows:</p> <ul style="list-style-type: none"> ➤ A review of staff pay and responsibilities is undertaken and concluded in Autumn 2023; ➤ No commitment to the review outcomes is made at this stage; ➤ Recommendations would be subject to Corporation Board approval at the conclusion of the review; ➤ A pay award is approved in principle in July 2023 for the purposes of an accrual being made in the 2022/23 financial statements. This accrual would directly relate to financial over-performance against budget in 2022/23 and therefore would maintain a minimum EBITDA outturn at the budget of £2.8m; ➤ The provision made in the 2022/23 financial statements directly results from the financial over-performance and is made available to review and re-set relevant salaries, if subsequently agreed. 	5i
8.	<p>The Committee has reviewed its Terms of Reference and draft Schedule of Business for 2023-24. It recommends an amended version of its Terms of Reference for Corporation approval, together with the Schedule of Business.</p>	