

THE NORTHERN COLLEGE
THE POLICY AND FINANCE COMMITTEE

Minutes of the meeting of the Policy and Finance Committee held on **16 November 2017**.

Present: Clive Macdonald (Chair), Sarah Tyler, Kate Fleming, John Edwards (up to and including min P17/165) and Jill Westerman (Principal).

In attendance: The Vice Principal, the Head of Finance, the Head of Estates and Facilities and the Clerk to the Governors.

Apologies: Prof Tim Thornton and Anne Shiels.

P17/142 **DECLARATIONS OF INTEREST**

With respect to:

- Their role as trustees Clive Macdonald, John Edwards and Jill Westerman declared a potential conflict of loyalty in items where they related to the Wentworth Castle and Stainborough Park Heritage Trust;
- Her role on the BPL Board of Trustees Denise Pozorski declared a conflict of interest in items relating to BPL.

P17/143 It was agreed that no decisions to be taken would be affected by these interests and it was not considered necessary for anyone to withdraw from the meeting.

P17/144 **MINUTES OF THE LAST MEETING**

The minutes of the meeting held on 21 September 2017 were approved as an accurate record (a signed copy is filed in the minute book).

P17/145 **INTEGRATED PERFORMANCE REPORT**

(A copy of document 4i is filed in the minute book.)

The committee considered the **Integrated Performance Report outturn for 2016/17** and noted that:

- There were no significant changes to the results reported at the last meeting;
- Areas that were rag rated red were as previously reported and included average class size and no-show rates, male/female recruitment and teaching hours;
- All other teaching and learning areas were rated green, though the college would continue to carefully monitor the feedback regarding students who had achieved their learning aims;
- The college had successfully maintained achievement rates despite a number of staffing issues during 2016/17;
- Sickness absence data would be considered in more detail as part of the 2016/17 sickness absence annual report;
- All finance indicators were rated green with the exception of HE income, tuition fees and external bookings as previously reported.

P17/146 The committee considered the final **management accounts to 31 July 2016** and noted that:

- The surplus had increased slightly from that reported at the September 2017 meeting to £271K;
- There had been a slight change to the balance sheet to reflect changes in relation to FRS17.

P17/147 The committee considered the **integrated performance report 2017/18** to date and noted that:

- The report reflected a very early position in the year;
- To date all teaching and learning indicators were rated green with the exception of average class size which was at 11.82 against a target of 12;
- Data relating to male/female recruitment was not yet available and the target was being reviewed as requested with a proposal being presented to the next meeting;
- No show rates were rated green for the first time ever, however foundation skills was currently running at 14%;

- BME recruitment was currently exceeding target at 20%;
- There had been a software issue which had impacted on the student satisfaction data presented in the report and this would be investigated further to ensure that the data was accurate in future;
- Overall there were no issues with student satisfaction, though the college would continue to monitor the indicator relating to students meeting their learning aims carefully.

- P17/148** The committee considered sickness absence data for 2017/18 to date and noted that:
- The data categories had been changed to reflect changes implemented by the AoC in order to maintain benchmarking;
 - The only cause for concern at this stage related to time lost for non-teaching staff;
 - There was no long term absence for teaching staff and no stress related absence which had previously been issues and this reflected what had been reported at previous meetings.
- P17/149** The committee explored the disparity between the college's results reported against the sector benchmarks for absence days (significantly below the sector benchmark) and percentage time lost (higher than sector benchmark) and noted that this was due to the different way the data was reported and should even out over the year.
- P17/150** The committee considered the finance KPIs and noted that:
- All were rated green with the exception of HE income where recruitment was below target and was unlikely to be recouped in year, surplus as a percentage of income which was at 1.9% and pay as a percentage of income which was at 61.5%;
 - The pay as a percentage of income indicator was a timing issue only and would fall back within the 60% target.
- P17/151** The committee welcomed the report and the performance demonstrated to date, particularly in relation to BME recruitment and class size/no show rates which had been issues previously.
- P17/152** The committee considered the **management accounts to 30 September 2017** and noted that:
- The position reported was very early in the financial year;
 - Only secured income was reflected;
 - As previously reported recruitment had fallen within the HE programme areas resulting in a decrease in income of £50K.
- P17/153** The committee explored the cash days in hand target, performance against which was very strong at 259, and agreed to consider a proposal and rationale for increasing the target. It was noted that an increased target would acknowledge the fact that the ESFA would no longer provide exceptional funding to any college. It was agreed that the proposed new target should take into account sector norms and the context and could be expressed in cash rather than days in line with the college's reserves policy.
- P17/154** The committee considered income to date and noted:
- The impact of reduced recruitment at level 3 and the college's plan to offer additional provision to mitigate the drop;
 - The reduced level of HE recruitment as previously reported;
 - The payment received from UNISON.
- P17/155** The committee explored the position regarding level 3 recruitment in detail, the college's plans to address the position, the national picture for recruitment at this level, and the potential for the college to reconsider its model of delivery, for example rolling recruitment.

Resolved: i That a proposal regarding a revised target for cash days in hand be considered at the next meeting.

P17/156 **FINANCIAL STATEMENTS 2016/17****(A copy of document 5i is filed in the minute book.)**

The committee considered the **draft financial statements for 2016/17** and **key issues memorandum** and noted that:

- The audit was substantially complete and there were no matters of which the auditors were aware that would require modification to their audit opinion or regularity report;
- The audit had been very clean with two minor control issues raised relating to un-cleared cheques and the signing of employment contracts, it was confirmed both issues were being addressed;
- All audit findings were rated as green;
- No issues had been noted with regards to improper revenue recognition, management override of controls or creditors being understated or not recorded in the correct period;
- As usual the figures in the financial statements differed to those in the management accounts due to the pension adjustments, with the result that the in-year surplus dropped to £148K, it was noted that a reconciliation statement would be provided for consideration by the Board of Governors in order to aide clarity;
- The deficit in the local government defined benefit pension scheme had decreased by £391,000 to a net liability of £3,531,000 at 31 July 2017;
- The audit had concluded that the actuarial assumptions in relation to pensions made by Mercer Limited were reasonable;
- A note regarding the segregation of duties had been included as in previous years but that this continued to be mitigated by the annual review of journals posted by the head of finance which was routinely undertaken by the internal auditors;
- There were no regularity findings reported;
- The statements had been considered by the Audit Committee at its meeting on 13 November 2017 and no issues had been identified;

P17/157 The committee considered the auditors advice regarding going concern, in particular in relation to the governors role as directors of the company. It was noted that the college had:

- Reported a net asset, after the pension provision, of £295,000; and a net asset of £4,216,000 prior to the pension provision;
- Had achieved strong surpluses for a number of years which had resulted in cash and short term investments balances of £3,195,000, borrowings of less than 1% and an SFA financial health rating of good or outstanding.

P17/158 The directors considered the position shown by the financial statements and concluded that based on them it be recommended to the Board of Governors that the company can continue to trade.

P17/159 It was reported that there had been one late client adjustment relating to the pre-paid lump sum pension deficit payment and how this should be treated in the accounts. It was noted that this was a one off issue relating to this year only and had resulted due to a difference of opinion on how the pre-payment should be treated in the financial statements.

P17/160 The committee noted that Roger McKenzie had been listed as a director despite not attending any meetings during 2016/17 and that this was correct. It was noted that the matter was being addressed by the Search Committee.

Resolved: i That the financial statements 2016/17 be recommended to the Board of Governors for signing.

P17/161 **PROPERTY STRATEGY REPORT****(A copy of document 8i is filed in the minute book.)**

The committee considered a report which:

- Provided an update on the completion of the 2014-2017 property strategy master-plan;
- Looked forward to the elements of a future property strategy.

P17/162 The committee noted the request for the approval of £10K beyond the current budget provision to carry out a building condition survey of the main house. The committee supported the undertaking

of a condition survey but agreed that a request at this level could be approved by management and did not require the committee's approval.

Resolved: i That the report be noted.

**P17/163 SICKNESS ABSENCE ANNUAL REPORT 2016/17
(A copy of document 8i is filed in the minute book.)**

The committee considered the sickness absence annual report for 2016/17 and noted that:

- This was the third annual report;
- As requested in 2015/16 further data had been added regarding age and year on year comparisons;
- An area for particular consideration was the college's ageing workforce with 59% of teaching staff being 50+ during 2016/17;
- The college had not had any concerning patterns of sickness absence in 2016/17 in relation to short term absences;
- There had been a number of long term absences but these were as a result of long term health conditions.

P17/164 The committee considered the area of stress related absence and noted that:

- There had been 3% stress related absence during 2016/17;
- As previously reported the results of the HSE stress survey undertaken in 2016/17 had shown a positive change in all indicators from the average from 2014/15, but when compared to 2015/16 there had been a distinct dip in three areas - control, peer support and relationships;
- The survey had been completed during the summer term 2016/17 and coincided with a particularly difficult period when the college was dealing with a number of management issues;
- The results of the survey had been shared with the health and safety committee which included trade union representatives;
- The college continued to support staff through a programme of wellbeing activities and the provision of trained bullying and harassment contacts;
- To date in 2017/18 there had been 0% stress related absence.

P17/165 The committee explored

- Whether the data suggested that older workers were more likely to be absent due to sickness and concluded that this wasn't necessarily the case;
- How the college could attract staff who were coming new to teaching in their 40s and were looking to continue their teaching career until they were 60-70;
- The college's use of guest tutors, noting that it already used sessional tutors extensively;
- The college's use of a 'grow your own teachers' approach and how this could be developed further;
- The impact of the severe cuts to the adult education sector on the availability of staff with the appropriate skills and expertise;
- The college's extensive health and wellbeing programme for staff.

P17/166 The committee agreed that the report showed that there were two key issues for the college – its ageing workforce and particular long term absence issues related to 2016/17. It was agreed that:

- The college should continue to monitor 2017/18 in detail, particularly in relation to stress related absence and long term absences, in order to evaluate whether there were any on-going issues;
- The college should maintain its positive approach to support staff who were absent due to ill health;
- The college should explore issues relating to its ageing workforce and succession planning in more detail and present a report regarding strategic workforce planning for consideration at a future meeting.

Resolved: i That a report regarding strategic workforce planning be presented for consideration at a future meeting.

P17/167 **INCOME GENERATION PROGRESS REPORT****(A copy of document 8i is filed in the minute book.)**

The committee considered a report which provided an update on progress against the college's income generation strategy and noted that:

- In relation to external bookings competition is strong and new marketing strategies are being developed, the GLI conference booking for 2017/18 is tentative pending funding arrangements;
- In relation to additional fee income there were three key areas of change reported:
 - Working with Parents income had ceased following the retirement of the tutor as the programme was running at an overall loss;
 - Since the ending of the contract for ILM work with AMCO the college had not planned to deliver any significant amounts of ILM work as it was a crowded market;
 - The teacher education recruitment was lower than the target with a consequent loss of income. It was noted however that there was some recovery of income with the delivery of full cost teacher education for the Labour party.
- In relation to project income for work aligned with the college mission an update was provided regarding a range of projects with a revised estimated income figure for 2017/18 of £152.5k.

P17/168 The committee welcomed the positive work being done in relation to project income and the successes achieved to date.

P17/169 The committee explored:

- The infrastructure required to support the development of the area of work and the potential costs involved and how this could be funded;
- The college's on-going strategy in relation to the scale of this kind of work as opposed to 'core provision';
- How the college could best use the flexible learning fund and agreed that proposals would be included in a future report.

P17/170 The committee explored the continued appropriateness of the KPI regarding ESFA percentage of income which was included in the dashboard, noting that the college would always be likely to rely on core ESFA income to deliver its core provision. The committee asked the college to consider how the development of non-ESFA income this could best be measured with a realistic but stretching target.

P17/171 The committee considered and approved a proposal regarding the funding of the development of a programme of learning and support specifically intended for survivors of modern slavery and human trafficking, including employment of a 1.0 WTE tutor/development worker on a temporary contract for 1 year to take day to day responsibility for the activity. It was noted that it was estimated that activity equating to £48K could be generated in 2017/18 and £120,000 in 2018/19.

P17/172 The committee welcomed the proposal, agreed that it was exactly the kind of work the college should be developing, acknowledged that there were always risks associated with developing new areas of work but that this was in line with the college's developing strategic plan.

- Resolved:**
- i That proposals regarding how the college could best use the flexible learning fund be included in a future report.**
 - ii That the college explore how the development of non-ESFA income could best be measured with a realistic but stretching KPI target.**
 - iii That the proposal regarding the funding of the development of a programme of learning and support specifically intended for survivors of modern slavery and human trafficking be approved.**

P17/173

POLICIES FOR APPROVAL**(A copy of document 8i is filed in the minute book.)**

The committee considered one new and one revised policy:

Policy	Changes	Comments
Recruitment and Selection Policy	Revisions made as part of the regular policy review cycle. Some of the more prescriptive elements of the policy were removed.	It was noted that the changes to the approval process had been discussed and agreed by the committee at its meeting in June 2017 when the committee had resolved that in future it would only consider requests to appoint to new posts where the expenditure lay outside that of the approved staffing budget. Recommended to the Board of Governors for approval.
Bring Your Own Device Policy	New policy arising from the implementation of the recommendations of the information security audit.	The committee agreed that although the policy was required and that the elements included were appropriate the tone was not in line with that of the emerging digital strategy which sought to encourage students and staff to engage with technology. The committee agreed that the policy should be further reviewed to also include a range of positive statements regarding the use of technology.

- Resolved:**
- i That the recruitment and selection policy be recommended to the Board of Governors for approval.**
 - ii That the bring your own device policy be further reviewed to include a range of positive statements regarding the use of technology.**

P17/174

RISKS OVERSEEN BY THE COMMITTEE**(A copy of document 6i is filed in the minute book.)**

The committee considered the risks allocated to it for oversight and specifically whether they accurately reflected the risks faced by the college in relation to the remit of the Policy and Finance Committee, whether there were any developing areas which needed consideration, and whether the controls were appropriate and effective.

P17/175

The committee explored the purpose of the second line of defence columns noting that they were empty for all the risks overseen by the committee. It was noted that the intention of the columns was not identify any residual risk areas and where further external assurance was required. It was agreed that it was not helpful for them to be routinely empty and that the college should consider how they were used in future.

- Resolved:**
- i That the college consider how the second line of defence columns on the risk register can best be used in the future.**

P17/176 **COMMITTEE PERFORMANCE INDICATORS AND TERMS OF REFERENCE****(A copy of document 7i is filed in the minute book.)**

The committee considered achievement against its performance indicators for 2016/17 and:

- Noted that all targets had been met;
- Agreed to recommend the same performance indicators to the Board of Governors for approval for 2017/18;
- Agreed to explore how some qualitative elements could be included in the consideration of the effectiveness of the work of committees by the Board of Governors.

P17/177 The committee considered its terms of reference and agreed no changes were required.**Resolved: i** **That the proposed performance indicators for the Policy and Finance Committee be recommended to the Board of Governors for approval.**

- ii** **That the college explore how some qualitative elements could be included in the consideration of the effectiveness of the work of committees by the Board of Governors.**

P17/178 **STUDENT UNION ACCOUNTS 2016/17****(A copy of document 8i is filed in the minute book.)**

The committee considered and approved the student union accounts for 2016/17.

Resolved: i **That the student union accounts 2016/17 be recommended to the Board of Governors for approval.****P17/179** **CONFIDENTIAL MINUTES OF THE MEETING 21 SEPTEMBER 2017****(A copy of document 9i is filed in the minute book.)**

The confidential minutes of the meeting held on 21 September 2017 were approved as an accurate record.

P17/180 **MIS PROCUREMENT**

A separate confidential minute was recorded.

P17/181 **DATE OF THE NEXT MEETING**The next meeting of the Policy and Finance Committee will take place on **Thursday 8 February 2018 at 10.00am.**

Signed	
Position	Chair of Policy and Finance Committee
Date	