

**THE NORTHERN COLLEGE**  
**THE POLICY AND FINANCE COMMITTEE**

Minutes of the meeting of the Policy and Finance Committee held on **21 June 2018**.

**Present:** Anne Shiels (chair), John Edwards, Prof Tim Thornton, Kate Fleming 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:** Clive Macdonald.

**P18/61** **DECLARATIONS OF INTEREST**

With respect to:

- their role as trustees 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, it was agreed that discussion at the meeting related to arrangements post closure of the trust and committee members would be acting only in the interests of the college;
- His role as Deputy Vice-Chancellor Prof Tim Thornton declared a non-financial interest in items which related to the University of Huddersfield.

**P18/62** It was agreed that it was not necessary for anyone to withdraw from the meeting.

**P18/63** **MINUTES OF THE LAST MEETING AND MATTERS ARISING**

The minutes of the meeting held on 17 May 2018 were approved as an accurate record (a signed copy is filed in the minute book).

**P18/64** **MEMBERSHIP OF THE COMMITTEE**

It was noted that proposals regarding membership of the committee would be presented for approval at the meeting of the Board of Governors in July 2018.

**P18/65** **MANAGEMENT ACCOUNTS TO 31 MAY 2018**

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

The committee noted that it had not been possible to produce an updated dashboard for the meeting as a result of staffing issues, but that performance to 31 May 2018 would be presented to the Board of Governors for consideration at its meeting in July 2018.

**P18/66** The committee considered the **management accounts to 31 May 2018** and noted that:

- there were very few changes from the reports presented at the last meeting;
- minor changes in expenditure related to legal costs and interim staffing costs in MIS;
- the main impact on income was related to a reduction in catering income.

**P18/67** The committee considered the position regarding pay awards in more detail noting that:

- the previously approved unconsolidated 0.7% pay award for academic/academic related staff for 2017/18 had been included in the budget throughout the year as previously agreed and would be paid in July 2018;
- the potential cost of consolidating the increase going forward into 2018/19 would be approximately £111K;
- this needed to be taken into consideration in light of the impact of negotiations relating to future pay awards for both academic and APT&C staff and the previously agreed but postponed commitment for the college to commission an independent analysis of the possible ramifications of moving academic/academic related staff to AoC scales and negotiating machinery.

**P18/68** The committee considered the position regarding catering income in detail and noted that there was a substantial variance from budget to provisional outturn in relation to catering income for

2017/18. The committee explored:

- the detailed review with the provider being planned by the college which would include a mid-contract review by an independent consultant;
- the likely causes for the reductions and the implications for 2018/19;
- the contractual position with the provider.

**P18/69** The committee agreed that a further report regarding the outcome of the review and implications be presented for consideration at the committee's meeting in November 2018.

**P18/70** The committee considered performance in relation to payroll as a percentage of income which was at 60.3% against a target of 60% as at 31 May 2018 and agreed to consider the target for 2018/19 as part of the two year financial plan 2018 – 2020 item.

**P18/71** The committee noted that the £99K HE debtors showing in the report was a result of timing, with a payment of £76K scheduled from the University of Huddersfield.

**P18/72** The committee considered capital expenditure noting that an underspend of approximately £20K was anticipated. It was noted that:

- a number of savings had arisen as a result of work being undertaken in-house rather than using external contractors;
- all planned projects had been completed.

**Resolved: i That a report regarding the outcome of the catering contract review and implications be presented for consideration at the committee's meeting in November 2018.**

**P18/73** **COLLEGE INSURANCE**  
(A copy of document 5i is filed in the minute book.)

The committee considered and approved insurance renewal terms as offered for 2018/19 under a long term agreement with Zurich Municipal Insurance, noting that:

- 2018/19 was the third year in a 3 plus 2 year long term arrangement with Zurich which had commenced in August 2016;
- there was a clear benefit to the college from the current arrangement whereby the college and the Wentworth Castle Trust are insured separately by the same underwriting firm, thus minimising the risk of claims falling between two separate providers.

**P18/74** The committee considered the impact of future potential arrangements for the gardens and parklands and agreed that prior to the extension point in 2019 the position should be reviewed in light of the relationship between the college's insurance arrangements and those of any successor body for the gardens and parklands.

**Resolved: i That prior to the extension point in 2019 the position regarding insurance be reviewed in light of the relationship between the college's arrangements and those of any successor body for the gardens and parklands.**

**P18/75** **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.

**P18/76** The committee noted that:

- the rationale for scoring the probability of C3 as medium had been reviewed with the manager concerned as requested at the last meeting and had been reduced to low;
- That two new risks had been added since the register was last considered -
  - C3 - failure to renew the college's central management information system;
  - C5 - failure to manage key person dependency/ "Single Points of Failure".

- The highest rated risks were E1 - major blockage in the college drainage system – as previously discussed and F1 - failure to draw down adult learning loans bursary funding stream leading to loss of ESFA funding.

**P18/77** The committee explored F1 in detail including the potential financial impact and mitigation arrangements.

**P18/78** The committee explored the risk related to devolution in detail, particularly whether the probability should remain at medium or be increased to high. It was agreed that there were a range of factors influencing devolution which meant that it was difficult to anticipate the future, however the college was doing everything it could to mitigate the risk and these actions would not change even if the probability was raised to high. It was therefore agreed to keep the probability at medium, but to include a more detailed narrative as to the rationale for this.

**P18/79** The committee agreed that all other risks identified and the relevant controls were appropriate and accurately reflected those pertinent to the college.

**Resolved: i That a more detailed narrative rationale be included in C1 - devolution of the adult education budget.**

**P18/80** **TREASURY MANAGEMENT ANNUAL REPORT AND STRATEGY**  
**(A copy of document 7i is filed in the minute book.)**

The committee considered the treasury management annual report and strategy and noted that:

- cash flow forecasts continued to indicate that at least £2 million could be considered for investment purposes over the next six months;
- interest rates remained extremely low;
- it was recommended that the college maximised the rates available, whilst adhering to the thresholds within the treasury management policy;
- the likely interest produced from the portfolio would likely be around £14,000.

**P18/81** The committee explored the option to consider investment in stocks and shares, noting that whilst returns may be increased it was a more risk based approach. The committee agreed that whilst this was unlikely to be a route for the college it should explore the potential options further at a future meeting.

**Resolved: i That the committee approve the maximisation of interest whilst adhering to the financial thresholds within the treasury management policy.**

**ii That the committee explore the potential options for investment in stocks and shares at a future meeting.**

**P18/82** **DRAFT FORECAST OUTTURN FOR 2017/18 AND TWO YEAR FINANCIAL PLAN 2018 – 2020**  
**(A copy of document 8i is filed in the minute book.)**

The committee considered an updated draft of the forecast outturn for 2017/18 and two year financial plan 2018 – 2020 noting that:

- this was the third time the plan had been considered by the committee;
- it had been updated in line with the discussion at the last meeting by increasing unsecured income in order to ensure the surplus target of 2.5% was achieved in 2019/20;
- the college had previously included 1% per annum for pay awards but pay negotiations were likely to be in excess of that.

**P18/83** The committee considered the position regarding pay award negotiations in detail and agreed that it would be inappropriate to continue to assume 1%. It was agreed that this should be increased to 2%.

**P18/84** The committee considered the payroll as a percentage of income target in detail noting the position in the HE sector, performance across the FE sector, and the reasons for the increase in 2017/18. The committee noted that:

- sector data demonstrated that most FE providers struggled to achieve 65%;
- the increase in 2017/18 was related to investment in new posts e.g. student engagement officer and new programmes such as the free thinking programme, rather than declining income;
- It was proposed that a 15% non-ESFA target be set for 2018/19.

- P18/85** The committee explored the overall plan in detail and:
- agreed that the income generation projections were realistic and based on a clear rationale;
  - noted that there were likely to be opportunities in the future as a result of partnership with any future successor body for the gardens and parklands;
  - agreed that it was important to include ambition in the plan in terms of income generation and diversification;
  - explored whether the plan fully reflected the college's ambitious strategic plan;
  - discussed risks relating income generation arising from losing a number of key staff;
  - agreed that external project income growth projections should be extended into 2019/20.

- P18/86** The committee explored how balance could be struck between an ESFA statement return and an ambitious financial plan for the college, acknowledging that achieving this had been part of the rationale for the development of the income generation strategy. The committee noted that the college needed to be cautious about coming under additional ESFA scrutiny acknowledging that there had been some significant issues in the sector due to the setting of over ambitious financial plans and there was a clear ESFA directive for college's to avoid taking that approach.

- P18/87** The committee agreed that the underlying financial position was sound and this would enable the college to invest for future growth.

- Resolved:**
- i That the pay award allocation be increased to 2%.**
  - ii That external project income growth projections be extended into 2019/20.**
  - iii That the 60% payroll as a percentage of income target be retained, acknowledging that this may be exceeded from time to time in the short term as a result of deliberate investment for growth.**
  - iv That the basis for the assumptions included in the plan be presented to the board of governors for consideration.**

**P18/88** **PROPERTY MATTERS – CONDITION SURVEY REPORT**

The committee received a verbal update regarding the recently completed condition survey of the main house and home farm. It was reported that:

- further analysis would be undertaken and a full report would be provided to a future meeting for consideration, including proposals regarding any works required which would exceed the £100K threshold;
- the key significant issues identified related to the inadequacy of internal rain water channels (launders) leading to a potential risk of flooding and the potential for a major blockage in the college drainage system;
- it was not believed that these posed any imminent risks requiring immediate urgent attention;
- further analysis of these issues had been commissioned and the drain issue had been added to the college risk register.

- P18/89** The committee explored the contingency plans in place in relation to the risks posed, particularly in relation to the potential for a blockage of the drains, noting that contingency arrangements were in place but further work was on-going.

- Resolved:**
- i That a further report regarding the outcome of the condition survey be presented to the committee for consideration at its meeting in November 2018.**

**P18/90** **POLICIES FOR APPROVAL****(A copy of document 10i is filed in the minute book.)**

The committee considered and approved an addendum to the fees policy for 2018/19. It was reported that following the meeting in May 2018 at which the policy had been approved the college had been notified of a further criteria for eligibility for fee waiver which it was proposed should be added to the policy.

**P18/91** The committee considered a draft grievance policy and noted that:

- the policy had been significantly re-written, was intended to be used as a key policy for driving change in the college and was based on ACAS guidance and the AoC sample policy;
- key changes included a reduction in the number of appeal stages and removal of reference to collective grievances;
- changes in terminology were intended to lower the temperature surrounding grievances;
- appropriate reference to senior post holders had been included;
- the draft had been through an appropriate consultation process and the changes had been welcomed by trade union colleagues.

**P18/92** The committee proposed a number of amendments:

- that reference to the twelve week time limit be included in 1.3;
- that explicit reference to there being only one opportunity for appeal and the decision of that appeal being final be included in 8.1;
- that capitalisation and 1<sup>st</sup>/3<sup>rd</sup> person terminology be standardised throughout.

**P18/93** The committee also suggested that the college consider:

- the time limits in 6.8 and whether they could be extended;
- whether more explicit role allocation should be included in para 8.6;
- whether para 9 regarding the human resources manager was required.

**Resolved: i That the following fee waiver criteria be added to the fees policy 2018/19:**

- *People who are eligible for ESFA funding and who earn less than £15,736.50 annual gross salary.*

**ii That with inclusion of the amendments above the grievance policy be recommended to the board of governors for approval.**

**P18/94** **CONFIDENTIAL MINUTES OF THE MEETING HELD ON 17 MAY 2018**

The confidential minutes of the meeting held on 17 May 2018 were approved as an accurate record (a signed copy is filed in the confidential minute book).

**P18/95** **GARDENS AND PARKLANDS – LEGAL ARRANGEMENTS**

A separate confidential minute was recorded.

**P18/96** **MIS PROCUREMENT UPDATE**

A separate confidential minute was recorded.

**P18/97** **OTHER BUSINESS**

The committee noted that this was the principal Jill Westerman's last meeting prior to her retirement on 31 July 2018 and formally thanked her for significant contribution to the college.

**P18/98** **DATE OF THE NEXT MEETING**

The next meeting of the policy and finance committee will take place on **Thursday 20 September 2018 at 9.00am.**

<b>Signed</b>	
<b>Position</b>	Chair of Policy and Finance Committee
<b>Date</b>	