

Minutes of the meeting of the Policy and Finance Committee held on **12 November 2020**.

**Present:** Clive Macdonald (Chair), Yultan Mellor (Principal), John Edwards, Neil James (up to and including P20/130) and Prof Tim Thornton.

**In attendance:** The Assistant Principal – Finance and Business Services (Joy Whistlecraft), the Head of HR (Elin Longley) (up to and including P20/130) and the Clerk to the Governors (Sarah Johnson).

**Apologies:** None.

**P20/102** **DECLARATIONS OF INTEREST**

Each governor present declared any potential interests/conflicts of loyalty related to items to be considered at the meeting. With respect to his roles as Deputy Vice Chancellor at the University of Huddersfield and member of the Leeds City Region Employment and Skills Panel Prof Tim Thornton declared a potential conflict of loyalty in items relating to the College's higher education provision. It was agreed that no decisions to be taken at the meeting would be affected and it was not considered necessary for the member to withdraw.

**P20/103** **MINUTES OF THE LAST MEETING AND MATTERS ARISING**

The minutes of the meeting held on 17 September 2020 were approved as an accurate record.

**P20/104** **ENVIRONMENT/SECTOR UPDATE** (Document 2i)

The committee considered a report which provided an update regarding sector developments and changes in the external environment that could impact on College finances, policy development and strategic planning, including:

- COVID 19;
- the DfE review of residential funding;
- the ESFA assurance review;
- devolution and the implications for funding in 2021/22;
- links with local MPs;
- Ofsted;
- regional networks including Regional Post 18 Education Partnerships and South Yorkshire Colleges Group.

**P20/105** The committee particularly considered:

- implications of COVID-19, noting that the College had moved to a revised curriculum plan to the end of December 2020, there had been a further decrease in enrolments to short courses, long course recruitment was reasonable with a new group of level 2 learners commencing week commencing 9 November 2020, there had been no infection issues on campus, staff and students were happy on campus, regular communication was maintained;
- the DfE review of residential funding – noting that the round table event with residential providers had been held, the timetable had been updated with finalised guidance to be published in Spring 2021, the College had been notified that it was the DfE's intention to discontinue the 4.7 uplift with support for residence being drawn down via the learner support funds. The committee noted that this could result in a process only change but the College did not yet have enough information to know whether there would also be financial implications, agreed that the timetable was inappropriate with the guidance being far too late to enable the College to effectively plan for 2021/22;
- the ESFA assurance review – noting that this remained on-going with no outcome indicated at this stage;
- devolution – noting that conversations with Sheffield City Region (SCR) were on-going and the College was developing a three-year delivery plan to meet SCR priorities and objectives, discussions also continued positively with West Yorkshire which was it was hoped was also likely to result in a grant based approach based on 2018/19 delivery levels;

- the meeting with Miriam Caites, welcoming the developing relationship and support for the work of the College being offered.

**Resolved: i That the report be noted.**

**P20/106** **PERFORMANCE REPORT – FINAL OUTTURN 2019/20** (Document 3i)

The committee considered the draft final outturn dashboard for 2019/20, noting that:

- business success indicators were all rated red as a result of the pandemic and its impact on the College's delivery of short courses;
- the report now presented the year end position as opposed to previous census date to enable readers to clearly see the impact of the pandemic on retention in some areas;
- finance indicators – support and community learning were rag rated green, all others were red, again as a result of the impact of the pandemic – it was noted that the College would meet the ESFA 68% performance indicator and should therefore retain all adult skills funding, and that should the ESFA apply the 68% target across the board the College would also retain all ALLB, however a provision for clawback had been retained in the accounts;
- student success – all indicators were rag rated green, there had been some leavers from those level 2 courses which had started later in the year, but overall retention and achievement data was strong, some issues on some courses would be explored further in the self-assessment report for 2019/20;
- equality, diversity and inclusion – all indicators were rag rated green with the exception of male recruitment, this was being addressed in curriculum planning, it was reported that male participation was high in 2020/21 to date, partly due to low numbers of short course enrolments which were usually predominantly female, noted that the proportion of learners from SCR and West Yorkshire had reduced for 2019/20 and this was thought to be as a result of lower short course enrolments which tended to be more local but this would also be explored further;
- human resources – noting that areas rated red related to the cost of sickness absence – costs relating to teaching absence related to two members of staff who no longer worked at the College.

**P20/107** The committee:

- agreed that this was a challenging data set to evaluate, as comparison to the previous year or targets was not helpful due to the unprecedented circumstances in the year;
- noted that the data would not be published externally but would be included in the College self-assessment report and would be used by Ofsted if the College was inspected, although it was not clear how they would evaluate the data;
- agreed it would be useful to try to evaluate the College's performance in relation to the sector;
- agreed that the College should be cautious when interpreting the data, particularly in relation to using any positive consequences which were incidental to the circumstances rather than planned for;
- agreed that on the whole the College had managed the situation well noting that – student success and satisfaction in 2019/20 was overall positive both for teaching and learning and support, staff had quickly adapted to working from home, staff and students were comfortable being on campus, 2020/21 students were overall extremely positive about their experience to date, recruitment and conversion was a significant challenge;
- agreed that at an appropriate point it would be useful to consider a report which reviewed the College's response to and performance during the pandemic period.

**P20/108** The committee considered and noted the Final Outturn **Financial Report for 2019/20**.

**Resolved: i That the committee consider a report which reviewed the College's response to and performance during the pandemic period.**

**P20/109** **PERFORMANCE REPORT – 2020/21 to date** (Document 3ii)

The committee considered the **dashboard for 2020/21 to 31 October 2020**, noting that:

- business success performance was mixed to date,

- recruitment to teacher education long courses and the level 2 diploma was good, level 3 diploma recruitment was mixed with some courses delayed until January 2021 but recruitment to them remained challenging, short course recruitment was very challenging particularly in relation to conversion with learners failing to attend on the day;
- performance against financial indicators was difficult to predict at this stage with recruitment being the key challenge.

**P20/110** The committee particularly considered:

- the challenging recruitment environment including:
  - the potential impact, challenges and potential opportunities relating to the government's commitment to free level 3 learning for adults;
  - the on-going impact of the lockdown and how this could continue to impact in 2021;
  - challenges relating to loans funding and the significant financial impact of the rule changes relating to residential provision introduced into the funding rules for 2020/21;
  - risks relating to the community learning block grant and the College's ability to deliver community learning provision in the current situation;
  - the recruitment position of the College compared to the FE sector and local authority adult provision;
- the likely government position with regards to funding protection for the sector for 2020/21 which was as yet unknown;
- the College's approach to marketing and its flexibility and creativity in flexing to meet changing circumstances;
- conversion and students failing to attend short courses and how this was being managed.

**P20/111** The committee considered the **Financial Report for 2020/21 to 31 October 2020**, noting that:

- The report currently reported a £474K deficit;
- a range of factors were likely to impact on this position going forward, and in all likelihood it would worsen by year end;
- the College would do everything possible to maximise recruitment, employing flexibility and creativity.

**P20/112** The committee particularly considered:

- potential in year savings and the position with regards to catering provision and the increased cost per head due to low student numbers;
- capital expenditure noting that the College had received an ESFA capital allocation which it would spend going forward to support the Colleges digital development.

**Resolved: i That the report be noted.**

**P20/113** **ESFA AUDIT/DFE REVIEW**

The committee considered a verbal update regarding the **DfE review of residential funding**, particularly noting that:

- the College had undertaken some initial modelling in relation to the likely impact of the review outcomes including the likely removal of the 4.7 uplift based on 2018/19 data;
- it predicted that this could result in a further £600K reduction in funding in addition to the £1.1M cut already made.

**P20/114** The committee particularly explored:

- the College's costs in relation to residency and how this compared to elsewhere in the sector;
- the proportionate cost of catering provision and how this could be provided more efficiently going forward;
- timescales for the review agreeing that it was unreasonable to expect the College to plan for the 2021/22 academic year using guidance that would be unlikely to be published until Spring 2021.

**P20/115** The committee considered a verbal update regarding the **ESFA assurance audit**, noting that:

- the audit was on-going and further data had been provided;

- there would be a likely impact on the timetable for the signing of the College's financial statements for 2019/20, dependant on the reconciliation statement issued by the ESFA and any caveats included regarding the audit.

**Resolved: i That the report be noted.**

**P20/116** **RISK MANAGEMENT 2020/21** (Document 4ii)

The committee considered the risks allocated to it for oversight noting that the approach to risk management was currently being updated and the report presented was section one which outlined significant materialised risks currently being actively managed by the College. The committee:

- reviewed their relevance, currency and rating;
- considered the assurances already received and any gaps which required additional risks to be added and/or further external assurance to be commissioned.

**P20/117** The committee:

- welcomed the new approach agreeing it was accessible and relevant;
- noted that all the key risks had been live throughout the agenda of the meeting;
- agreed that progress with regards to preparation for devolution were positive;
- agreed that risk 3 - devolution - should be restated to reflect the impact on curriculum.

**Resolved: i That the report be noted.**

**P20/118** **TREASURY MANAGEMENT ANNUAL REPORT AND STRATEGY** (Document 4i)

The committee considered the treasury management annual report for 2019/20 and forward looking strategy, noting that:

- interest rates across the board were zero or extremely low;
- the College had not been able to action previously agreed plans to open a new account with the Nationwide Building Society due to the instability caused by the COVID 19 pandemic;
- the College was in the position where it needed to extend its portfolio to keep within its treasury management policy and reduce the risk of exposure;
- the estimated annual interest produced from the portfolio, in 2020/21, would be an unprecedented £5,000.

**P20/119** The committee agreed that the College should seek to utilise a fourth provider at an appropriate time at the discretion of the Assistant Principal – Finance and Business Services.

**Resolved: i That the College seek to utilise a fourth provider at an appropriate time at the discretion of the Assistant Principal – Finance and Business Services.**

**P20/120** **STUDENT UNION ACCOUNTS 2019/20** (Document 5i)

The committee considered and approved the student unions accounts for 2019/20.

**Resolved: i That the Student Union accounts for 2019/20 be approved.**

**P20/121** **FINANCIAL STATEMENTS 2019/20** (Document 5ii)

The committee considered the **financial statement auditor's Audit Findings Report** and **Draft Financial Statements for 2019/20** noting that:

- both reports were in draft form as usual at this stage but were further impacted this year by the on-going ESFA audit of residential funding for the years 2018/19 and 2019/20;
- the field work for the financial statements audit had been carried out in line with the original timetable however the auditors had been unable to complete their audit at this stage, the key factor being in relation to their going concern assessment as they were waiting to 'consider the results of the ESFA audit into the residential offering and the impact on the College's finances';
- this meant that it was unlikely that the College would be in a position to present financial statements with a finalised audit opinion for 2019/20 to the Board for consideration at its meeting in December 2020.

- P20/122** The Committee considered the balance sheet in detail, noting that:
- as a result of pension liabilities the College was reporting a £1.7M deficit position;
  - as in previous years whilst this did not pose a significant short term risk for the College as the issues were largely as a result of accounting adjustments and did not reflect the College's operating financial position, it did require careful consideration by the Board in relation to going-concern, particularly in light of a potential worsening of the position arising as a result of possible ESFA clawback;
  - as repeatedly shown FRS102 calculations were subject to significant variation year on year and triennial valuations had remained reasonably static over a longer period;
  - however this represented an unprecedented level of deficit for the College and should be a key discussion point for the Board of Governors at its meeting in December 2020.
- P20/123** The committee considered the reconciliation statement in detail, noting that as in previous years the main differences related to the FRS102 calculations and roundings.
- P20/124** The committee agreed that there were three key issues to address:
- careful consideration of the deficit position with regards to pension liabilities, ensuring the Board sought and received appropriate legal/financial advice with regards to going concern;
  - careful consideration of the potential impact of clawback as a result of the ESFA audit, again in relation to going concern and appropriate advice;
  - consideration of the position with regards to future flexibility, restructuring, reducing future liabilities and the ability to invest in order to create on going sustainability for the College.
- P20/125** It was noted that advice from the College's legal advisor had been scheduled for the Board meeting in December 2020.
- P20/126** The committee noted that notwithstanding the matters raised the financial statements were a positive endorsement of the effective management of College finances and the audit itself had raised no significant issues.
- Resolved:**
- i **That the position with regards to the audit of the financial statements for 2019/20 be noted.**
  - ii **That the committee support the consideration of legal advice with regards to going concern matters by the Board of Governors at its meeting in December 2020.**
- P20/127** **FINANCIAL REGULATIONS** (Document 5iii)  
The committee considered and recommended to the Board of Governors for approval revised financial regulations, noting that they would also be reviewed by the Audit Committee in relation to governance and controls.
- Resolved:**
- i **That the revised financial regulations be recommended to the Board of Governors for approval.**
- P20/128** **POLICIES FOR APPROVAL** (Document 5iv)  
The committee considered and recommended to the Board of Governors for approval the re-drafted redundancy policy, noting the key changes related to:
- increased flexibility regarding consultation whilst maintaining reasonableness;
  - move to statutory entitlements.
- P20/129** The committee sought and received assurance that appropriate consultation had been undertaken with the trade unions.
- Resolved:**
- i **That the re-drafted redundancy policy be recommended to the Board of Governors for approval.**
- P20/130** **TERMS OF REFERENCE AND KPIS** (Document 6i)  
The committee reviewed its performance against its terms of reference and agreed performance indicators for 2019/20, noting that all PIs had been met.

Resolved: i That KPIs for 2020/21 be approved.

P20/131

**CONFIDENTIAL MINUTES**

The confidential minutes of the meeting held on 17 September 2020 were approved as an accurate record.

P20/132

**DATE OF THE NEXT MEETING**

The next meeting of the Policy and Finance Committee will take place on **4 February 2021** at **10.00am**.

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