

Minutes of the meeting of the Policy and Finance Committee held on **19 September 2019**.

**Present:** Clive Macdonald (Chair), Yultan Mellor (Principal), John Edwards, Neil James, Prof Tim Thornton, Lydia Ebdon and Kate Fleming.

**In attendance:** The Assistant Principal – Finance and Business Services (Joy Whistlecraft) and the Clerk to the Governors (Sarah Johnson).

**Apologies:** None.

**P19/63**      **DECLARATIONS OF INTEREST**

With respect to their roles as trustees Clive Macdonald and John Edwards declared a potential conflict of loyalty in items related to the Wentworth Castle and Stainborough Park Heritage Trust. It was agreed that no decisions were being considered in relation to the trust and this did not therefore pose any issues regarding conflict of interest.

**P19/64**      With respect to his role as Deputy Vice-Chancellor Prof Tim Thornton declared an interest in items which related to the College's HE provision delivered via the University of Huddersfield consortium. The committee considered the interest declared and agreed that it did not pose any issues regarding conflict of interest in relation to items to be considered at the meeting.

**P19/65**      **MINUTES OF THE LAST MEETING AND MATTERS ARISING**

The minutes of the meeting held on 16 May 2019 were approved as an accurate record (a signed copy is filed in the minute book).

P19/33              It was noted that no arrangements to reinstate the membership of Anne Shiels had been agreed to date.

**P19/66**      The committee received the notes of the inquorate meeting of members on 20 June 2019.

**P19/67**      **DRAFT MANAGEMENT ACCOUNTS 2018/19** (Document 2i)

The committee considered **Draft Final Outturn Management Accounts for 2018/19** and noted that:

- the surplus for the year was currently estimated at between £123 -125k, which was £10k higher than reported to the Board in July 2019;
- the College was awaiting a final reconciliation for the Leeds LA agreement and an estimated accrual of £35k had been included;
- clawback due to the non-delivery of the ITQ L3 under the ALLB funding stream was estimated at £32k;
- the 103% of AEB delivery for the College for 2018/19 notified by the ESFA had not yet been included in the forecast;
- at this stage payroll as a percentage of income was reported at 60.6% and the College had achieved 2.3% against its 2.5% surplus target;
- it was anticipated that the surplus target would be exceeded once the final reconciliation was complete and this would also bring the payroll as a percentage of income back below its 60% target;
- pay costs were reported as £41k below budget, which was positive during a year of significant structural developments.

**P19/68**      The committee:

- explored the ratio of teaching costs to support costs and how they compared within the sector. It was noted that it was difficult to find appropriate benchmarks which took into consideration the College's costs in relation to residence and additional learning support. It was reported that the College was seeking to benchmark with other residential colleges;

- agreed to close off the outstanding schemes from the last estates strategy in the capital report, with the assurance that they be factored into the forthcoming review process and new estates strategy development. The committee sought and received assurance that there had been no negative impacts on student experience as a result of the interim strategy and that non-completion of the outstanding items listed had not had any detrimental effect on students. It was reported that the new Head of Estates would commence in role in November and the consultants engaged by the College to support the development of a new property strategy were scheduled to present to the Board at its meeting in December 2019.

**P19/69**

The committee considered the impact on the College of pension costs and valuations for 2018/19 and noted that:

- the balance sheet position had been reported to the committee earlier in the year than was usual in order to highlight the position and facilitate early consideration;
- there were risks related to the valuation of the assets and liabilities of both of the pension schemes utilised by the College - USS and LGPS – but the impact of the treatment of USS in the published accounts was of particular concern;
- LGPS
  - it was reported that the College's defined benefit obligations in relation to the local government pension scheme had once again changed substantially, seeing an increase of 20%;
  - however as was usual this would not impact on the ESFA financial health rating of the College as the costs were stripped out by the ESFA in their assessment;
  - as in previous years a reconciliation document would be provided for the Board to aide its consideration of the published accounts;
  - it was likely that as previously the triennial valuation due in 2019 would be more consistent with previous valuations and balance out the variations of the annual actuarial valuation.
- USS
  - as previously reported there had been a staged rise in employer costs for USS, however this had already been reflected in the College's three-year financial plan and the actual increase was not as high as originally stated;
  - there had also been a significant increase in the recovery rate which meant that the College's pension provision for USS was now £800k, an increase of £550k on the previous year;
  - though this not pose an actual cash issue, it did raise an issue regarding solvency in the published accounts and a corresponding issue in relation to the calculation of the ESFA financial health rating for the College;
  - this position arose as a result of the requirement for the figure to be shown in the College's profit and loss statement, which would lead to a significant published deficit;
  - a key concern for the College was that only two institutions in the sector were part of the USS, potentially meaning that the ESFA would not have an understanding of the position, or a methodology for appropriately taking the figures into account in their financial health grading, potentially leading to a detrimental impact on the College's financial health grade;
  - the College was seeking advice from its financial statement auditor on how best to treat this position in the accounts and how to approach the ESFA;
  - the College was also seeking support from HOLEX and the AoC in lobbying the ESFA on its behalf;
  - a new valuation and new modeller for USS would be published imminently and was expected to result in a reduction in the valuation figures, however this would not impact on the 2018/19 accounts, but would be available in December for governors to take into account in its consideration of the published accounts.

**P19/70**

The committee:

- noted that the risk register had been updated to reflect the current position;

- agreed that the issues were as a result of accounting adjustments and did not reflect the College's operating financial position or impact on its ability to trade in relation to going concern;
- however, were concerned about the potential impact on the College's ESFA financial health grading and supported the College's proposed approach to work with financial statement auditor in approaching the ESFA and seeking support with lobbying from the AoC and HOLEX;
- considered options regarding USS in the future, agreeing that the position was very complex and potentially costly.

**P19/71**

Overall the committee:

- welcomed the financial position reported for 2018/19 and noted that it was in line with that reported throughout the year;
- agreed that the pensions position reported did not raise any short term significant threats or issues regarding going concern, but should continue to be carefully monitored in order to manage any medium to long term risks;
- agreed that it was important to ensure that there was appropriate discussion regarding the potential impact of pension costs at the September meeting of the Board of Governors;
- agreed to factor the size of the College and the challenges related to administrative and support costs and the costs and value of residence into discussions at the strategic planning session in November.

- Resolved:**
- i Ensure that there is appropriate discussion regarding the potential impact of pension costs at the September 2019 meeting of the Board of Governors.**
  - ii Close off the outstanding schemes from the previous estates strategy in the capital report in the management accounts.**

**P19/72****RECRUITMENT UPDATE 2019/20**

The committee received a verbal update regarding student recruitment to date for 2019/20 and noted that:

- the College continued to recruit to all programmes;
- the level 2 diploma was slightly behind target with 12 actual starts against a target of 16, but this was in line with previous years;
- overall recruitment to the level 3 diploma was likely to hit target, however there were significant variation across subjects. The College had recruited well to humanities and social sciences but had significantly lower numbers for computing, where a late start had been agreed. The College needed to carefully consider how interest in computing was converted to actual enrolments, including reviewing the student journey, and undertake a detailed review of the curriculum offer in the digital/computing area, taking into account need and the development of the College's health professions offer;
- There were only nine learners who would be accessing AEB to date, further work in this area was required;
- Short courses had not recruited well in September resulting in course cancellations and corresponding costs, and a later start to the programme would be considered for 2020/21;
- HE recruitment was on target at this stage.

**P19/73**

The committee

- welcomed the actions proposed regarding reviewing the student journey and exploring conversion from interest to enrolment, and particularly encouraged the detailed review of the College's digital/computing offer;
- considered the challenges in relation to getting the computing/digital offer right, particularly in light of the digital sector offering the biggest growth in employment in the area.

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

**P19/74** **INCOME GENERATION PROGRESS REPORT** (Document 2iii)

The committee considered a progress report against the College's income generation plan and noted that:

- the new Head of Marketing and Partnerships would commence in post in early October 2019, and the post holder would take the operational lead on income generation, oversee teams carrying out market research and outreach and explore new funding opportunities, developing projects in liaison with the curriculum teams and writing bids and tenders;
- the Arts Council bid in partnership with the National Trust and Barnsley Council had not been successful, but would hopefully lead to further opportunities;
- the College continued to build a strong relationship with Barnsley Council around forest families provision.

**P19/75** The committee:

- considered the Arts Council bid and likely further opportunities in more detail, noting that the group needed to build its profile with the Arts Council as this was its first bid, and the project bid would be developed further as the bid writers further refined a community focus;
- encouraged the College to remain ambitious in its project bidding;
- welcomed the College's involvement in ESIF and the positive relationships being formed with the ACL board and the further development of partnership working.

**P19/76** It was noted that a further detailed report regarding income generation would be provided in February 2020.

**Resolved: i That a further detailed report regarding income generation would be presented to the committee in February 2020.**

**P19/77** **DEVOLUTION UPDATE**

The committee received a verbal update regarding devolution, noting that the College appeared to be preparing appropriately and was developing the right partnerships.

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

**P19/78** **TREASURY MANAGEMENT ANNUAL REPORT 2018/19 AND STRATEGY** (Document 3ii)

The committee considered the 2018/19 Treasury Management Annual Report, noting the current arrangements and annual interest generated by the portfolio.

**P19/79** The committee agreed that as the College did not have any significant capital projects planned it could consider longer term accounts which offered slightly higher returns, but with no associated risks other than loss of interest earned.

**Resolved: i That a proposal regarding options for investing in longer term accounts be presented for consideration at the meeting of the committee in November 2019.**

**P19/80** **RISKS OVERSEEN BY THE COMMITTEE** (Document 3iii)

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.

**P19/81** The committee explored the current approach to managing risk and noted that the Board would be reviewing its overall framework and approach to risk management at a session led by the internal auditor at its meeting in July 2020, including risk definitions, risk appetite and accurately representing the mitigating actions being taken.

**P19/82** It was agreed that the current risks remained appropriate and the controls in place provided assurance. It was noted that a number of the key risks had been explored throughout the meeting.

**Resolved: i That the risk register be noted.**

**P19/83** **DEBTOR WRITE OFFS – ANNUAL REPORT 2018/19** (Document 4i)

The committee considered the debtor write offs report for 2018/19 and noted that:

- the College was not seeking approval for the writing off of any outstanding debts over £3000;
- there had been no other debtor write offs within the financial year.

**P19/84** The committee considered the College's approach to debt collection in detail, noting that where debts were outstanding following the College's internal processes the likelihood of recouping outstanding amounts through a legal process was low.

**P19/85** The committee welcomed the report and the College's effective recovery of all debts during the year.

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

**P19/86** **MIS UPDATE**

The committee received a verbal update regarding procurement of MIS software, noting that issues were on-going but posed no risks to the student experience or the College in relation to data processing and reporting to funders.

**P19/87** A separate confidential minute was recorded.

**P19/88** **CHAIR'S ACTION – FOR RATIFICATION** (Document 5i)

**Resolved:**     **i**     **That the committee ratify the approval by chair's action of the Fees, Access to HE Diploma Fees and Allowance Rates 2019/20, Student Short Course Support Funds 2019/20 and Access to HE Diploma Student Support Funds 2019/20 policies.**

**ii**     **That the committee ratify the approval by chair's action of the following Christmas closure dates for 2019– that the College close for the Christmas period 2019 at 5.00pm on Friday 20th December and re-open on Thursday 2nd January 2020.**

**P19/89** **CONFIDENTIAL MINUTES OF THE LAST MEETING** (Document 7i)

The confidential minutes of the meeting held on 16 May 2019 were approved as an accurate record (a signed copy is filed in the minute book).

**P19/90** **CONFIDENTIAL STAFFING MATTERS**

A separate confidential minute was recorded.

**P19/91** **DATE OF THE NEXT MEETING**

The next meeting of the Policy and Finance Committee will take place on **Thursday 14 November 2019 at 10.00am** – Queen Anne 3.

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