

Minutes of the meeting of the Policy and Finance Committee held on **17 September 2020**.

**Present:** Clive Macdonald (Chair), Yultan Mellor (Principal), John Edwards, Neil James (from P20/87-98) and Prof Tim Thornton.

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

**Apologies:** None.

**P20/80** The committee agreed to re-order the agenda to facilitate attendance.

**P20/81** **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 role as Deputy Vice Chancellor at the University of Huddersfield 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.

**P20/82** **MINUTES OF THE LAST MEETING AND MATTERS ARISING**

The minutes of the meeting held on 18 June 2020 were approved as an accurate record.

**P20/83** P20/71 It was reported that the revised student policies had been approved as working drafts by the chair of the Curriculum, Quality and Student Experience Committee as agreed.

**P20/84** **MEMBERSHIP MATTERS**

The committee agreed that it be recommended to the Board of Governors that the one-year pilot of appointment of an independent member to the Committee not be extended. The committee agreed that the challenges posed by its broad ranging role and its strong interlinks with the work of the Board had meant that it was difficult for the holder of such a post to participate fully in and bring to bear their experience and expertise upon the committee.

**Resolved:** i **That it be recommended to the Board that the one-year pilot of appointment of an independent member of the Policy and Finance Committee is not extended.**

**P20/85** **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;
- the Sheffield City Region Strategic Economic Plan 2020-2040 and South Yorkshire Renewal Action Plan;
- devolution and the implications for funding in 2021/22;
- links with local MPs;
- the Stockbridge Towns Fund; /
- the FE white paper.

**P20/86** The committee particularly considered the ESFA assurance review, noting that since the report had been written the College had received more details regarding the audit but was still awaiting receipt

of a promised spreadsheet for completion with student data and that the ESFA had stated that they intended to complete the work by mid-October. The committee:

- explored options in relation to contesting the legitimacy of the audit – it was reported that:
  - the College had engaged with Tom Morrison from Stone King LLP a solicitor who had extensive experience in the sector in relation to funding and audit;
  - the College had also engaged independent audit work from Buzzacotts;
  - both parties had been briefed and were undertaking preparatory work;
  - the College planned to fully engage in the audit process;
  - once the outcome of the audit was known the College would be able to act in response to the implications;
- agreed that it would be beneficial to request a preliminary opinion from Stone King for consideration by the Board at its meeting in October.

**Resolved: i The committee requested that a preliminary opinion be sought from Stone King LLP for consideration by the Board at its meeting in October.**

**P20/87**

**PERFORMANCE REPORT – DASHBOARD AND FINANCIAL REPORT** (Document 3i)

The committee considered the Draft Final Outturn **Financial Report for 2019/20**, noting that:

- the predicted deficit outturn was higher than previously reported due to anticipated clawback of ALLB funding arising from the closure of the College site to students during the year and the inclusion of redundancy costs;
- the outturn would have been £91K surplus without redundancy costs;
- as a result of redundancy costs pay costs as a percentage of income was above target at 62%.

**P20/88**

The committee particularly considered the balance sheet and the impact of pension costs, noting that:

- the LGPS FRS102 valuation for 2019/20 had again significantly increased and now stood at £5.8M;
- the triennial actuarial estimate however remained at £1.5m and had remained consistent for the last two valuations;
- all the FE sector had seen a significant deterioration in the LGPS position as a result of the financial impacts of COVID and shortening of the recovery period;
- the USS position was not yet calculated;
- this position meant that the College's balance sheet was now reporting a £2m deficit;
- though the College had reported a deficit balance sheet in previous years this was significantly larger than previously;
- the position could raise issues with regards to going concern and the signing off of the 2019/20 financial statements by the auditors.

**P20/89**

The committee:

- agreed this was a very significant deterioration and placed the College in a challenging position;
- noted that there had been no increase in actual pension charges as these were based on the triennial valuations which remained static;
- agreed that the Board needed to carefully take into consideration the College's limited company status and the implications of that with regards to going concern;
- noted that the position would be further worsened by any potential clawback of funding resulting from the ESFA audit;
- agreed to explore the position in detail with the Board at its meeting in October 2020 and consider the option of seeking assurance and advice from an insolvency practitioner to support the Board in its going concern consideration for the 2019/20 financial statements.

**P20/90**

The committee received a verbal report regarding student recruitment to date for 2020/21, noting that:

- teacher education recruitment was at target including new provision;
- recruitment to the access to HE programmes was overall below target with a decision being taken to delay the start for some subjects to allow for additional applications;

- residential numbers were low as a result of COVID 19;
- two new areas of provision – policing and social action – would be coming on stream in January 2021;
- the position could be recovered with successful recruitment to courses commencing in early 2021;
- English and Maths recruitment was strong;
- short course delivery had been limited - some remote delivery had taken place, on campus provision was planned from October half term onwards, but this would obviously depend on the lock down situation.

**P20/91** The committee:

- agreed that the College's ability to be agile and meet changing needs was critical;
- noted that there were opportunities, including for short courses fulfilling adults need for social interaction after a long period of lockdown, which could be seized;
- appointing to vacant teaching posts would be critical to enable delivery of the curriculum and development of new provision.

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

**P20/92** **FINANCIAL PLANNING 2020/21 – 23** (Document 4i)

The committee received a verbal update regarding financial planning for 2020/21 – 2022, noting that the key challenge for delivery of the plan related to student recruitment and retention and ALLB income.

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

**P20/93** **RISK MANAGEMENT 2020/21** (Document 4ii)

The committee considered a report which set out a proposed revised approach to risk management, noting that:

- it combined elements of the previous risk register and also the interim risk log;
- the new register was split into two sections – significant actual risks and potential risk areas.

**P20/94** The committee welcomed the new approach and requested that the risks be ranked.

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

**P20/95** **TREASURY MANAGEMENT ANNUAL REPORT 2019/20 AND STRATEGY**

This item was deferred.

**P20/96** **DEBTOR WRITE OFFS – APPROVAL AND ANNUAL REPORT** (Document 4iv)

The committee considered the debtor write offs annual report for 2019/20, noting that:

- there were no requests for committee approval for write offs in excess of £3,000 or a group in excess of £10,000 per annum as set out in the financial regulations;
- outstanding debts totalling £2,624.69 had been approved by the Principal for write off during the year;
- the College's debt collection process had been exhausted in all cases;
- written off debts were sometimes recovered where a student applied for a further course at the College.

**P20/97** The committee was assured that a robust process had been followed and the write offs approved were appropriate.

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

**P20/98** **TERMS OF REFERENCE AND KPIs** (Document 6i)

This item was deferred.

**P20/99**      **CONFIDENTIAL MINUTES**  
A separate confidential minute was recorded.

**P20/100**      **CONFIDENTIAL STAFFING MATTERS** (Document 7ii)  
A separate confidential minute was recorded.

**P20/101**      **DATE OF THE NEXT MEETING**  
The next meeting of the Policy and Finance Committee will take place on **12 November 2020** at **10.00am**.

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