



Northern College

THE BOARD OF GOVERNORS

Minutes of the meeting of the Board of Governors held on **15 July 2021**.

Present: Bob Harrison, Clive Macdonald (Chair), Yultan Mellor (Principal), Mike Bramhall, Colin Forrest, Liz Stanley, John Edwards, Frank Lord, Neil James, Seb Schmoller, Angus Morrison and Ann Corrigan.

In attendance: The Assistant Principal – Finance and Business Services (Sue Saunders), the Assistant Principal – Student Experience (Diane Lawson), the Assistant Principal – Curriculum, Quality and Market Development (Emma Beal), the Head of Human Resources (Elin Longley) and the Clerk to the Governors (Sarah Johnson).

Apologies: Ken Richardson.

DECLARATIONS OF INTEREST

B21/66 None.

MINUTES AND MATTERS ARISING

B21/67 The minutes of the meetings held on 24 June 2021 were approved as an accurate record.

SECTOR UPDATE (Document 2i)

B21/68 The Board received a report which provided an update on sector developments and external information that could have an impact on College business and strategic planning, including:

- the College's response to COVID-19, particularly in relation to the impact on student recruitment and the ESFA tolerance level for AEB funding for 2020/21;
- future funding;
- ESFA funding assurance review;
- the FEC structure and prospects appraisal (SPA) process;
- qualification achievement rates;
- Association of Colleges.

B21/69 The Board particularly noted:

- that the College was below the 90% AEB tolerance level set by the ESFA for 2020/21 and would be submitting a business case to set out the College's position when it was available in September 2021;
- the outcome of the meeting with Kirsty Evans (ESFA) regarding the funding assurance audit, noting that the ESFA had agreed to explore the issues raised by the College in relation to hardships funds and over delivery, and had committed to a repayment plan that would not destabilise the College should that be required;
- the progress of the SPA process including:
 - the potential delay of steering group 5 until September 2021;

- potential outcomes of steering group 4, which included the acceptance of the College's stand-alone proposal and conclusion of the process;
- the preparation for steering group 4 in relation to any questioning of the College in relation to its stand-alone proposal;
- the impressive media coverage of the College in relation to the SPA process;
- the hard work undertaken by the College in the development of the stand-alone proposal.

Resolved: i That the report be noted.

COLLEGE REPORT (Document 3i)

B21/70 The Board considered a report which provided an overview of key items of internal strategic and operational College business, including:

- people – particularly considering appointment of the interim AP for Finance and Business Services, the launch of a change programme within Business Support Services;
- curriculum, quality and market development - particularly considering Ofsted readiness, an update against the College's quality improvement plan, the on-going digital learning programme and its impact on curriculum delivery, the 2021/22 curriculum plan and its key features, and the College branding refresh;
- student experience – particularly considering the cross service review of the applications and admissions process, student recruitment, capital works and management of the College's COVID 19 response;
- finance and business services – particularly considering the delivery of the College's digital transformation strategy and investment in ICT infrastructure, business systems and cyber security, the appointment of a finance and payroll lead.

B21/71 The Board noted the report and particularly welcomed the positive development work which was being continued despite the on-going FEC SPA process, agreeing that this would stand the College in good stead for an independent future.

Resolved: i That the report be noted.

PERFORMANCE REPORT (Document 3ii)

B21/72 The Board considered the dashboard for 2020/21 to 30 June 2021 and management accounts for 2020/21 to 31 May 2021, noting that:

- performance was in line with that previously reported;
- COVID 19 continued to negatively impact on student recruitment and the College was below the 90% tolerance level set by the ESFA (clawback currently anticipated to be £1.5M);
- student recruitment for June 2021 was slightly better than anticipated;
- the College's cash flow position was secure and insolvency on a cash basis was not an issue;
- capital expenditure planned for the end of July 2021 was likely to extend into 2021/22.

Resolved: i That the report be noted.

RISK MANAGEMENT AND ASSURANCE (Document 2iv)

B21/73 The Board considered the risk register noting that:

- the College's key strategic risks had been explored throughout the meeting;

- significant developments had taken place in ICT which contributed towards mitigating the risks in that area.

B21/74 The Board noted that the risk scores for some of the risks would be likely to be re-evaluated, potentially reducing some to amber or removing them altogether, agreeing however that this should be done cautiously and only on the basis of clear outcomes and formal agreements where appropriate.

B21/75 The Board explored the potential on-going impact of COVID 19 in 2021/22, noting that whilst the curriculum and financial plans had been developed based on a normal year, some tolerance had been built into the budget for potential under performance.

Resolved: i That the report be noted.

STRATEGIC UPDATE

B21/76 The Board considered a report which set out indicative values in relation to sale or letting of a number of the College's properties and agreed to revisit them as part of future strategic planning discussions.

Resolved: i That the property valuations be reconsidered as part of future strategic planning discussions.

FINANCIAL PLANNING (Document 4ii)

B21/77 The Board considered a draft financial plan for 2021/22 – 2023/24, particularly:

- noting that the plan had been considered by the Policy and Finance Committee at its meeting on 1 July 2021 and was recommended for approval;
- noting the planning background and assumptions used, which included continuation of x4.7 factors for learners who were residential, 15% growth in SCR, improved class sizes, growth in AEB, HE and full cost, development of commercial opportunities and improved space utilisation, and no staff pay award for three years as previously agreed;
- testing the contingency arrangements using the sensitivity analysis provided, noting that the budget included a significant contingency of £92k in year 1, £125k in year 2 and £150k in year 3 to mitigate against any unforeseen shortfall in income or unexpected costs, plus the impact of potential under recruitment and the effect of a delay in commercial and full cost activity, it was noted that if all the factors materialised the impact to the operating position would be a £63k deficit and a positive EBITDA of 3.4%, closing cash would be £630k, with a cash low point of £421k and minimum cash days of 31, still remaining above the FEC benchmark;
- explored the appropriateness of the proposed capital expenditure;
- considered the cashflow scenarios in detail, including cash low points and impact, noting that in every scenario at no point would the College require any borrowings;
- noting the improving position year on year, and the achievement of KPIs above the FEC benchmarks;
- exploring financial health scores going forward, noting that they were predicted to be outstanding each year based on the 3-year financial plan and even if all sensitivities materialised around recruitment and commercial delivery the financial health in 2021/22 would still be good.

B21/78 The Board:

- explored the key risks and opportunities in detail, particularly in relation to any impact of underperformance;

- considered and tested the commercial income plan in detail;
- carefully tested the assumptions presented - noting the detailed curriculum planning which had been undertaken, the prudent approach taken in respect of a number of aspects e.g. pension costs, margins in relation to commercial activity and the resilience which had been built in;
- noted the significance of partnership work and how this would be maximised;
- explored the potential impact of COVID 19;
- noted that the College had never previously under achieved against student recruitment targets, with the exception of years impacted by the pandemic;
- agreed that regular, careful scrutiny of performance would be essential;
- agreed that the plan presented an excellent basis for an independent future for the College.

Resolved: i That the financial plan for 2021/22 – 2023/24 be approved.

POLICIES FOR APPROVAL (Document 5i)

B21/79 The Board considered and approved a range of policies, noting that:

- they had been scrutinised by the appropriate committee and considered by the trade unions where appropriate;
- there had been a slight change to the policy framework in relation to paternity and shared parental leave which had been retained as separate policies;
- the updated policy framework would be presented at the next meeting for consideration.

Resolved: i That the policy framework be presented at the next meeting for consideration.

- ii That the admissions, residential admissions, safeguarding adults, paternity leave, shared parental leave, travel and expenses, dignity at work, sickness absence, recruitment and selection, recruitment of ex-offenders, disclosure and barring services, relocation and probationary period policies, and the staff code of conduct be approved.**

AUDIT MATTERS

B21/80 The Board considered an update regarding the audit of the **Financial statements 2019/20**, noting that:

- significant progress had been made in relation to the audit of the accounts and the College was seeking to present them for approval with the inclusion of a contingent liability relating to the potential clawback of funds by the ESFA;
- Grant Thornton the College's financial statement auditors were supportive of this approach and were therefore concluding the audit and undertaking their going concern assessment;
- Grant Thornton's concerns had previously been in relation to the potential clawback of funds and the impact on the College's going concern status – but they were now assured that even in a worst case scenario the College would continue to be a going concern;
- a contingent liability statement had been drafted and was being checked by the College's legal advisor;
- it was envisaged that meetings of the Audit Committee, Board of Governors and the Company would be held on 26 July 2021 in order to meet the Companies House filing deadline of the 30 July 2021.

- B21/81 The Board noted that the College was seeking a new **audit lead partner** for its 2020/21 audit and was awaiting confirmation of who the new lead would be from Grant Thornton.
- B21/82 The Board considered and approved a proposal from the Audit Committee that BMBC be extended as the College's **Internal Audit Service for 2020/21** to 31 December 2021, and that the position be reviewed in the Autumn term following the outcome of the FEC SPA process.

Resolved: i That BMBC be extended as the College's Internal Audit Service for 2020/21 to 31 December 2021, and that the position be reviewed in the Autumn term following the outcome of the FEC SPA process.

FINANCIAL OVERSIGHT (Document 5iii)

- B21/83 The Board considered a report which set out factors which would support it to maintain careful oversight of the College's financial position, noting that:
- the Company was bound by legal duties that may in times of severe financial distress require it to prioritise creditors ahead of students, even in the face of natural desires or external pressures to do differently;
 - if at any point there was no reasonable prospect of avoiding an insolvent winding up, Board members may need to act quickly to seek to protect creditors, this may include considering putting the College into administration;
 - the Board and the College team (being the College's Executive Leadership Team and the Clerk to the Governors/Company Secretary) should consider their actions carefully in the context of any potential financial challenges – such as minimising the exposure of creditors to risk;
 - the Board and the College team should monitor the situation closely, liaising with key stakeholders including the ESFA and keeping them sighted on any significant concerns around solvency
- B21/84 In its assessment the Board considered:
- the work of the Further Education Commissioner to date and their use of the structure and prospects appraisal process to secure a sustainable future for the College;
 - the financial report from Buzzacott (considered at its meeting on 31 March 2021);
 - the work of the financial statements auditor in relation to the 2019/20 financial statements;
 - the securing of funding allocations for 2021/22 from Sheffield City Region and West Yorkshire Combined Authority;
 - the securing of the continuation of the x4.7 uplift factor for residential learners for the next three years;
 - recruitment/financial performance during 2020/21 as a result of COVID-19 and likely implications;
 - the proposed 3-year financial plan 2021/22 - 2023/24;
 - the College's cash position;
 - the College's current position regarding potential repayment of any funds to the ESFA resulting from the funding audit;
 - pension liabilities;
 - property assets.
- B21/85 The Board agreed that:
- the report from Buzzacott indicated that the College was not running out of cash;
 - no formal demand for the repayment of ESFA funding had been received and the College maintained its position of challenging the basis for the audit;

- the structure and prospects appraisal process aimed to achieve a sustainable future for the College;
- the College had secured funding allocations for 2021/22;
- the Board was therefore assured that it had a reasonable prospect of avoiding an insolvent winding up;
- a re-assessment of the situation would be undertaken whenever any additional information was received.

Resolved: i That a re-assessment of the College's position in relation to avoiding an insolvent winding up be undertaken whenever any additional information was received.

REPORT FROM LEAD GOVERNOR – SAFEGUARDING

- B21/86 The Board received a verbal update from the lead governor – safeguarding, noting that:
- the lead governor was regularly updated by the College in relation to safeguarding activities;
 - partnership working was strong, with a growing relationship with South Yorkshire Police and the ETF and AoC;
 - significant work was being undertaken in relation to Prevent and cyber safety;
 - strong integrated working was taking place internally, with good curriculum links and embedding of safeguarding in the curriculum;
 - sexual harassment work was contextualised and integrated into the College's work with families.

Resolved: i That the report be noted.

REPORTS FROM COMMITTEES (Document 2x)

- B21/87 The Board received and noted minutes of the following meetings:
- Audit Committee – 22 February 2021
 - Curriculum, Quality and Student Experience Committee – 22 February 2021
 - Policy and Finance Committee – 26 May 2021

GOVERNANCE MATTERS (Document 2viii)

- B21/88 The Board considered a range of membership matters and agreed to appoint a number of new members, and reappoint a number of existing members on an exceptional basis beyond two terms of office in order to ensure continuity during the forthcoming period.

- Resolved: i That Sue Horner be appointed as a governor in the category of 'interest and experience' for a term of office from 1 September 2021 to 31 August 2025.**
- ii That Clare Clifton be appointed as a governor in the category of 'interest and experience' for a term of office from 1 September 2021 to 31 August 2025.**
- iii That Ross Bannerjee be appointed as an independent member of the Audit Committee for a term of office from 1 September 2021 to 31 August 2025.**
- iv That Mike Bramhall be reappointed as a governor in the category of 'interest and experience' for a term of office to 31 December 2021.**

- v That Tim Thornton be reappointed as a governor in the category of 'interest and experience' for a term of office to 31 December 2021.
- vi That John Edwards be reappointed as a governor in the category of 'interest and experience' for a term of office to 31 December 2021.
- vii That Neil James be reappointed as a governor in the category of 'interest and experience' for a term of office to 31 December 2021.

CONFIDENTIAL MINUTES

B21/89 The Board approved the confidential minutes of the meeting held on 24 June 2021 as an accurate record.

STAFFING MATTERS UPDATE

B21/90 The Board noted that:

- a number of voluntary redundancies had been approved by the Policy and Finance Committee and actioned accordingly;
- changes to business services staff terms and conditions had been considered by the JUM and were progressing to implementation.

CONFIDENTIAL REPORTS FROM COMMITTEES (Document 7iii)

B21/91 The Board received and noted confidential minutes of the following meetings:

- Audit Committee – 22 February 2021
- Policy and Finance Committee – 26 May 2021

DATES OF THE NEXT MEETINGS

B21/92 Thursday 30 September 2021 - 11.00am
Thursday 16 December 2021 - 11.00am
Thursday 10 March 2022 - 11.00am
Thursday 14 July 2022 - 11.00am