



Northern College

THE POLICY AND FINANCE COMMITTEE

Minutes of the meeting of the Policy and Finance Committee held on 1 July 2021.

Present: Clive Macdonald (Chair), Yultan Mellor (Principal), John Edwards, Neil James and Ann Corrigan.

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

Apologies: None.

DECLARATIONS OF INTEREST

P21/44 None.

MINUTES OF THE LAST MEETING AND MATTERS ARISING

P21/45 The minutes of the meeting held on 26 May 2021 were approved as an accurate record.

ENVIRONMENT/SECTOR UPDATE (Document 2i)

P21/46 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:

- recovery from COVID 19 – noting that whilst student recruitment had improved it remained very challenging;
- ESFA AEB tolerance for 2020/21 – noting that this currently remained at 90%, pressure from the sector to lower the level continued, performance across the sector currently being reported as 68% with a predicted outturn of 73%;
- future funding – arrangements with SCR and WY were developing, both had confirmed a 2021/22 allocation based on 2018/19 performance and SCR had provided written confirmation of the x4.7 factor for three years;
- ESFA funding audit – noting that a very positive meeting had been held with Kirsty Evans from the ESFA, they were considering a range of issues that had been raised by the College which if accepted would reduce the current clawback values, no response had been received to date, the College continues to challenge the validity of the basis for the audit and seek legal advice, the ESFA have confirmed that they would agree repayment terms, should they be required, which would not destabilise the College;
- FEC SPA process – noting that the College was continuing to develop its independent proposal, and confirming that Huddersfield University would not be submitting a proposal.

Resolved: i That the report be noted.

PERFORMANCE REPORT – 2020/21 to date (Document 3i)

P21/47 The committee considered the **Management Accounts for 2020/21 to 31 May 2021**, in particular noting that:

- there were no significant changes to the position reported in March 2021;

- the outturn for the full year stood at £883k deficit, the main variance being reduced income as a direct result of COVID 19 which had impacted on student recruitment;
- the outturn for the year included a provision for clawback of £1.507k AEB/ALLB relating to 2020/21 based on the 90% tolerance level confirmed by the ESFA;
- cash reserves were projected to remain over £4m with no borrowings;
- projected financial health remained good for 2020/21 excluding year-end adjustments for pensions;
- the closing cash position at end April 2021 was £4,900k with a forecast position for the end of July 2021 of £4,458k. This was a positive variance to the original projected position of £4,147k at the end of July 2021 due to reduced tolerance level for ALLB funding in 2019/20, income from successful legal challenge and in year pay savings and timings of capital projects;
- the rolling 24 month cashflow included a worst case scenario of paying the full funding audit clawback amount during 2021/22 in line with the standard ESFA profile;
- the forecasted ESFA income for the remainder of the financial year 2020/21 was based on a prudent level of recruitment during June/July and it was anticipated this position may improve, however in the current climate, learner's appetite to return to learning, particularly residentially was uncertain;
- there were a number of restructures planned in business support areas, additional redundancy costs of £75k had been included in the forecast position.

P21/48 The committee particularly explored the impact of the ESFA tolerance level for AEB funding and implications relating to potential ESFA funding audit clawback.

Resolved: i That the report be noted.

FINANCIAL PLANNING 2021 – 24 (Document 4i)

P21/49 The committee considered a draft financial plan for 2021/22 – 2023/24, particularly:

- 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 affect 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;
- exploring the appropriateness of the proposed capital expenditure;
- considering 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 score 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.

P21/50 The committee:

- considered the implications in relation to any potential ESFA clawback and how the plan would factor in to any future negotiations regarding repayment terms;
- tested growth targets in detail and were assured that the growth was based on a detailed and realistic, fully costed curriculum plan.
- explored the College's commercial plans, including closing off home farm to use for commercial activities, and confirmed that the College was exploring any legal restrictions in relation to NHMF.

- P21/51 The committee agreed:
- the plan included very detailed work, with careful sensitivity testing undertaken which provided significant assurance;
 - that whilst the plan was challenging it was based on realistic and detailed planning, and was a careful balance between ambitious and achievable;
 - there were lots of elements in the assumptions that are likely to go in the College's favour;
 - the plan provided a very sound and realistic basis for an independent future for the College.

P21/52 The committee received and noted the **LGPS** termination paper.

Resolved: i That the draft financial plan for 2021/22 – 2023/24 be recommended to the Board of Governors for approval.

RISKS OVERSEEN BY THE COMMITTEE (Document 4ii)

P21/53 The committee considered the register of risks it oversees and noted that most of the areas had been explored in detail throughout the meeting and the risk register would be updated accordingly to take into account discussions.

Resolved: i That the risk register be updated accordingly.

POLICIES FOR APPROVAL (Document 5ii)

P21/54 The committee considered and approved the financial support policy, confirming that it was in line with current ESFA funding guidance.

P21/55 The committee considered the following policies and recommended them to the Board of Governors for approval:

- paternity leave;
- shared parental leave;
- travel and expenses;
- dignity at work;
- sickness absence.

P21/56 The committee noted that the HR policies had been reviewed by JUM as appropriate.

P21/57 **Resolved: i That the financial support policy be approved.**

ii That the paternity leave, shared parental leave, travel and expenses, dignity at work and sickness absence policies be recommended to the Board of Governors for approval.

CONFIDENTIAL MINUTES OF THE LAST MEETING (Document 7i)

P21/58 The confidential minutes of the meeting held on 26 May 2021 were approved as an accurate record.

STAFFING MATTERS

P21/59 A separate confidential minute was recorded.

DATE OF THE NEXT MEETING

P21/60 Thursday 16 September 2021 - 10.00am
Thursday 11 November 2021 - 10.00am
Thursday 3 February 2022 - 10.00am
Thursday 12 May 2022 - 10.00am
Thursday 16 June 2022 - 10.00am