



Northern College

THE POLICY AND FINANCE COMMITTEE

Minutes of the meeting of the Policy and Finance Committee held on 26 May 2021.

- Present:** Clive Macdonald (Chair), Yultan Mellor (Principal), John Edwards and Ann Corrigan.
- In attendance:** The Assistant Principal – Finance and Business Services (Sue Saunders), the Head of HR (Elin Longley) and the Clerk to the Governors (Sarah Johnson).
- Apologies:** Neil James.

DECLARATIONS OF INTEREST

- P21/19 Each governor present declared any potential interests/conflicts of loyalty related to items to be considered at the meeting. With respect to their roles as chair and board member respectively of the former Wentworth Castle and Stainborough Park Heritage Trust, John Edwards and Clive Macdonald declared a potential conflict of interest in relation to property matters. It was agreed that no decision would be impacted and the members were not required to withdraw from the meeting.
- P21/20 It was reported that from 6 May 2021 it had been agreed that Prof Tim Thornton would take a sabbatical from his role as a member of the Board of Governors as a result of a conflict of interest arising from the FEC led structure and prospects appraisal, with a view to him recommencing his role as soon as appropriate.

MINUTES OF THE LAST MEETING AND MATTERS ARISING

- P21/21 The minutes of the meeting held on 4 February 2021 were approved as an accurate record.
- P21/16 It was reported that due to the on-going structure and prospects appraisal the current catering contract with Thomas Franks had been extended, as allowed for in the contract, until the end of January 2022. The committee supported the approach and agreed to review the position in November 2021.
- P21/15 It was reported that the issue with the 2019/20 finance record spreadsheet had been corrected by the ESFA and the College's report would be submitted once the financial statements for 2019/20 had been signed.

ENVIRONMENT/SECTOR UPDATE (Document 2i)

- P21/22 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;
 - the DfE review of residential funding;
 - the ESFA assurance audit;
 - tolerance levels for 2020/21 and devolution of the Adult Education Budget (AEB);
 - ESFA financial notice to improve;
 - South Yorkshire colleges;
 - local MPs;
 - College media attention.

- P21/23 The committee particularly considered:
- the positive conversations taking place with Sheffield City Region and West Yorkshire Combined Authority regarding future funding and the 4.7 residential uplift factor, noting that the College's curriculum plans had now been submitted to both authorities;
 - the on-going discussions with the ESFA regarding the treatment of the College's £400K national AEB allocation;
 - the continuing validity of the FEC led Structure and Prospects Appraisal process in light of the now positive position regarding the College's future funding, noting that whilst a review of the timetable for the process would be considered at an additional meeting of the steering group on 10 June, the FEC remained committed to continuing with the process;
 - the College's position with regards to performance in 2020/21 and the ESFA 90% tolerance level for AEB funding, noting that the College continued to refine its forecast outturn but that the impact of COVID-19 remained substantial in relation to residential adult education;
 - the very positive and extensive press coverage which reinforced the support of the College's stakeholders and MPs.

Resolved: i That the report be noted.

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

- P21/24 The committee considered the **dashboard for 2020/21 to 30 April 2021**, noting that:
- student success stood at 89% which was lower than previous years but was likely to stand up well against the sector as a whole;
 - student recruitment had been significantly impacted by COVID-19 as previously reported;
 - amber rating for teaching staff absences related to a small number of long term absences which had a significant statistical impact due to the size of the team;
 - appraisal completions would significantly improve by the time of the next report.
- P21/25 The committee considered the **Financial Report for 2020/21 to 31 March 2021**, noting that:
- the College had originally set a budget of £83k deficit for the year 2020/21 which included a provision of £73k for in year restructuring costs;
 - the current outturn for the full year stood at £852k deficit, the main variance being reduced income as a direct result of Covid which has impacted on student recruitment;
 - the outturn for the year included a provision for clawback of £1.491k AEB/ALLB relating to 2020/21 based on the 90% tolerance level confirmed by the ESFA;
 - the year-to-date position to the end of March 2021 was £91k deficit, which included a pro rata provision for in year clawback;
 - overall income for the full year was projected to be £954k less than the original budget for 2020/21, the majority of this related to AEB/ALLB funding income as a result of lower student numbers due to the pandemic and lockdown, the accounts reflect a provision for in year clawback which is based on the current tolerance level of 90% for AEB and ALLB income.
 - other income had also been impacted due to the pandemic and closure for a number of months, this included external/project income (£159k), tuition including HE (£85k) and catering (£51k);
 - income from investments of cash reserves has also been reduced due to lower interest rates (£20k).³

- the College projects savings of £147k from pay expenditure for the full year, the majority of this related to vacancies which had not been filled in year due to lower student numbers and reduced external/project activity.
- redundancy costs had increased by £17k, as a result of slightly higher costs for planned restructures;
- a full review of the College's external catering facilities, including reduction of staffing and reduced activity had resulted in an in year saving of £58k;
- premises and Maintenance costs had been reduced by £38k due to reduced activity and review of some contracts.
- the College had needed to invest additional costs relating to digital strategy and systems development, including investment in a curriculum planning system.
- the balance sheet position showed net current assets of £3,266k YTD and a year-end forecast of £2,465k, this included a provision for clawback relating to the current year.
- cash reserves were projected to remain over £4m with no borrowings;
- the closing cash position at end March 2021 was £4,304k with a forecast position for the end of July 2021 of 4,475k. This was a positive variance to the original projected position of £4,147k at the end of July 2021;
- the year to date cash position of £4,304k showed a positive variance compared to the projected position in November 2020 by £601k, due to a number of factors including delayed start in capital works, reduced tolerance in ALLB clawback for 2019/20, LGPS pension contribution due April rather than March and pay savings due to unfilled vacancies;
- a 24-month cash-flow position was now being reported.

P21/26 The committee particularly explored:

- likely capital expenditure outturn and planned works;
- the treatment of the USS liability in the management accounts, noting that this was treated as a FRS102 adjustment.

Resolved: i That the report be noted.

ESFA AUDIT AND FINANCIAL STATEMENTS 2019/20

P 21/27 A separate confidential minute was recorded.

STRUCTURE AND PROSPECTS APPRAISAL

P21/28 A separate confidential minute was recorded.

FINANCIAL PLANNING 2021 - 23

P21/29 The committee received a verbal update regarding financial planning for 2021/22 – 2022/23, noting that:

- the College had implemented a new curriculum planning tool and the curriculum plan for 2021/22 was now in place;
- curriculum plans had been submitted to the combined authorities and formal allocation letters were anticipated shortly;
- further significant work was required to arrive at a final budget plan which would be presented for consideration by the committee at its next meeting, prior to submission to the Board for approval in July 2021.

P21/30 The committee particularly explored:

- staff utilisation, class size and growth assumptions;
- the treatment of potential claw back (both funding audit and 2020/21 delivery);
- the approach taken to curriculum planning.

P21/31 The committee agreed that whilst delivery of the plan would be challenging due to the on-going potential impact of COVID-19 it was credible and achieved a surplus position.

Resolved: i That a further refined plan be considered by the committee at its meeting in July 2021.

RISKS OVERSEEN BY THE COMMITTEE (Document 4iii)

P21/32 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.

P21/33 The committee considered an update regarding ICT noting that:

- under investment in both maintenance and development in previous years now urgently required attention;
- investment in terms of hardware/infrastructure was required and planned;
- additional staff resource had been secured which was creating a positive impact;
- the College would be reviewing its cyber insurance arrangements.

Resolved: i That the risk register be updated accordingly.

TREASURY MANAGEMENT SIX MONTH REVIEW

P21/34 The committee considered a verbal report regarding current treasury management arrangements, noting that:

- no changes had been made since the last report;
- the College remained technically in breach of its policy by retaining above the current limit in one account;
- this was very low risk position and alternative options for investment were extremely limited.

P21/35 The committee agreed that the AP-FBS should review the arrangements in line with cash flow requirements and liabilities, focussing on any areas of risk.

Resolved: i That the AP-FBS review the treasury management arrangements in line with cash flow requirements and liabilities, focussing on any areas of risk.

CHRISTMAS CLOSURE 2021

P21/36 The committee considered and approved a proposal regarding Christmas closure 2021.

Resolved: i That the College close for the Christmas break 2021 at 5pm on Friday 24th December and re-open on Tuesday 4th January 2022.

POLICIES FOR APPROVAL (Document 5ii)

P21/37 The committee considered the following policies:

- fees – noting that the policy had been simplified, and may require further updating once the ESFA guidelines for 2021/22 were published – the committee agreed any further changes could be approved by chairs' action;
- recruitment and selection – noting that no significant changes were being proposed, the policy had been streamlined and greater emphasis placed on safeguarding;
- recruitment of ex-offenders – noting that only minor changes were being proposed to align with changes regarding disclosure and barring;

- disclosure and barring service – noting that the policy had been updated to bring it into line with changes already discussed and to clarify, rather than amend, the process;
- relocation – noting that allowances had been increased in line with the advice of the committee when it was last reviewed, it was reported that the policy had been used once in the previous five years;
- probationary – noting that no changes were proposed;
- staff code of conduct – noting that the code had been updated to reflect new policies, the College's strategic ambition and to add reference to protected characteristics.

P21/38 The committee noted that the HR policies had been reviewed by JUM as appropriate.

P21/39 **Resolved:**

- i **That the fees policy be approved, subject to any further amendments to be approved by chairs' action.**
- ii **That the recruitment and selection, recruitment of ex-offenders, disclosure and barring, relocation and probationary policies, and the staff code of conduct be recommended to the Board of Governors for approval.**

CONFIDENTIAL MINUTES OF THE LAST MEETING (Document 7i)

P21/40 It was noted that CP21/3 should read £223K rather than £250K.

P21/41 With the inclusion of the above correction the confidential minutes of the meeting held on 4 February 2021 were approved as an accurate record.

DATE OF THE NEXT MEETING

P21/42 It was agreed that the meeting scheduled for the 17 June 2021 would be re-scheduled to July 2021.

P21/43 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