



Northern College

THE BOARD OF GOVERNORS

Minutes of the meeting of the Board of Governors held on **14 July 2022**.

Present: Mark Sanders (Chair), Yultan Mellor (Principal), Colin Forrest, Liz Stanley, Neil James, Seb Schmoller, Sue Horner, Ann Corrigan, Tim Thornton (up to and including Min B22/94), Clare Clifton, Bob Craig, Mike Bramhall, Neil Copley and Ken Richardson (up to and including Min B22/105).

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: Emma Norton.

DECLARATIONS OF INTEREST

B22/77 Each governor present declared any potential interests/conflicts of loyalty related to items to be considered at the meeting.

- Liz Stanley declared a potential conflict with respect to her role undertaking internal audits unconnected to the College for BMBC audit services on a self-employed basis. 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.
- With respect to his roles as Deputy Vice Chancellor at the University of Huddersfield and HE advisory member of the West Yorkshire Employment and Skills Committee 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.
- Neil Copley declared a potential conflict with respect to his role as Director of Finance at Barnsley Council. 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.

MINUTES AND MATTERS ARISING

B22/78 The minutes of the meeting held on 23 May 2022 were approved as an accurate record.

CONTEXT UPDATE (Document 2i)

B22/79 The Board received an update setting out key developments in the context in which the College was operating, including:

- FEC visit outcome letter;
- ESFA annual strategic conversation;
- feedback from LocatED;
- an update regarding West Yorkshire MCA funding;

- an update regarding South Yorkshire MCA funding;
- meeting with the leader and chief executive of Barnsley Council;
- the National Trust/Barnsley Council and Northern College visioning day;
- feedback from DINE;
- National Trust College promotional/information film;
- ESFA policy update;
- Ofsted enhanced inspections;
- ONS – potential change of College classification;
- meeting with Oliver Coppard, South Yorkshire Mayor;
- visit to the College by Alex Burghart MP, Parliamentary Under-Secretary (Department for Education).

- B22/80 The Board particularly explored:
- the likely implications of the potential reclassification of Colleges by the ONS from the private to the public sector;
 - opportunities in relation to T levels and apprenticeships;
 - the National Audit Office ‘*Developing Workforce Skills for a Strong Economy*’ report and opportunities for the College;
 - the outcome of the FEC visit, noting that they planned to re-visit the College at the end of September 2022.

B22/81 A separate confidential minute was recorded.

Resolved: i That the report be noted.

PERFORMANCE TO DATE 2021/22 (Document 2ii)

- B22/82 The Board considered the **KPI dashboard 2021/22 to 6 July 2022**, with a particular focus on year end outturn and impact for the future, noting that:
- student numbers for 2021/22 had increased, but remained below target;
 - conversion levels remained static from the previous report;
 - attendance had dipped slightly from June, but this was a result of the completion of the long courses for 2021/22;
 - student satisfaction remained high at 98%;
 - best case achievement was above target at 95.3%;
 - AEB and loans income had increased, but commercial was lower than planned due to delays in receiving planning consent;
 - class size remained at 6.3 which was clearly below target, but a deliberate decision to support enrolments;
 - some COVID related staff absences had been experienced over the last month;
 - staff turnover was up on benchmark, mainly as a result of restructure activity in 2020/21, but the College’s stability index was around 80%;
 - appraisals were on target, and the slight dip in mandatory training was as a result of a large level of required updates but this was expected to level out again by the next report.
- B22/83 The Board particularly explored:
- conversion rates, particularly why improvement was not being achieved and the further actions planned/required;
 - class sizes, particularly the assurance that could be taken for the 2022/23 budget being based on groups of 10, noting that:
 - the figures in 2021/22 had been significantly impacted by COVID which should not be the case in 2022/23;

- there was real variance across different courses which would have to be judged on a case by case basis going forward;
- performance in September recruitment was the critical factor and would set the level of flexibility available for class sizes through the remainder of the year;
- one of the financial scenarios in the budget was based on not hitting class size targets;
- hybrid delivery would be considered in order to boost numbers.

- B22/84 The Board considered **Management Accounts for 2021/22 to 31 May**, in particular noting that:
- the current outturn was a deficit position of £1,527K, but this included a £500K provision for community learning clawback;
 - the key factor continued to be under recruitment on AEB funded provision;
 - the likely final outturn for 2021/22 would be £1.6M deficit;
 - financial health remained at good, but would be moderated down to requires improvement due to EBITDA;
 - the cash position at the end of May 2022 was £4,158K, and based on the proposed budget for 2022/23 and the current outturn for 2021/22 the cash low point of £947K would be in March 2023.
- B22/85 The Board explored performance in detail including sensitivities and cashflow.
- B22/86 The Board considered **student recruitment data for 2021/22** to date in detail, in particular noting:
- overall performance, and specific areas of underperformance;
 - new provision;
 - staff changes to support community outreach.
- B22/87 The Board considered **student recruitment data for 2022/23** to date in detail, in particular noting:
- that applications to long level 3 courses were strong, with the exception of management skills and knowledge which continued to be an area for targeted marketing;
 - applications for long level 2 courses were strong, with the exception of digital and IT skills for business which remained a focussed priority;
 - HE recruitment was positive in comparison with previous years, with the exception of the new foundation degree in health and care which had been removed from the 2022/23 plan due to later than planned accreditation;
 - the position for GCSEs was too early to assess;
 - marketing for short courses commenced in June 2022 and it was anticipated that the new pathways approach would aid recruitment;
 - a range of new provision with employers, families and Ukrainian refugees would take place in August 2022;
 - delivery in Stocksbridge was expected to commence at Easter 2023;
 - applications and conversions were being tracked carefully at executive team level;
 - since the report was issued the College had held an all-staff recruitment day which had resulted in a positive impact on applications.
- B22/88 It was agreed that whilst early signs were that recruitment for 2022/23 was positive, the true position for the critical Autumn recruitment would not be clear until late September/early October.

Resolved: i That the report be noted.

DRAFT FINANCIAL PLAN (Document 3i) and SCENARIO RISKS AND OPPORTUNITIES (Document 3ii)

- B22/89 Within the context of the financial oversight document, the session delivered for governors from RSM and Stone King and FEC intervention to date the Board considered the proposed **three-year financial plan 2021/22 – 2023/24 and CFFR**. It was noted that the complete CFFR narrative had been presented to set the full context for the plan including strategic ambitions and plans, options for the estate, leadership and management, income diversification and partnerships.
- B22/90 The Board carefully considered:
- the variances of year-on-year movements and between the 2021/22 current year budget and outturn;
 - the key budget assumptions used to formulate the plan, including the curriculum plan for 2022/23;
 - key risks and mitigation to cash flow insolvency;
 - the make-up and reliability of planned income;
 - funding assumptions and risks;
 - commercial income assumptions and risks;
 - pay and pension cost assumptions and risks;
 - non-pay assumptions and risks;
 - capital expenditure plans and risks;
 - the impact on financial health assessments;
 - sensitivity analysis and the modelled impact on cashflow to July 2025 for eight potential scenarios, including cashflow movements and ratios;
 - a detailed bridging statement.
- B22/91 The Board noted that:
- the curriculum plan whilst ambitious was in line with pre-COVID performance and did not yet include any Stocksbridge provision;
 - the level of residential students included had been prudent and could be higher, therefore improving the financial position;
 - the curriculum plan if delivered in full would generate £345K more than allocation, allowing for in-year growth, but all costs for the delivery of the full curriculum plan had been built into planned expenditure which provided a good degree of flexibility;
 - years two and three assumed a 10% growth in income year on year;
 - a pay award had been included for 2022/23 at 1.2% and 2.25% for years two and three;
 - a small number of additional posts had been included as income increased over the three years in order to support growth;
 - utility and inflation increases were a key risk and had been built into the scenarios and risks and opportunities register;
 - capital expenditure for 2022/23 would be held until the position regarding Autumn recruitment was understood wherever possible.
- B22/92 The Board considered in detail:
- the robustness of the assumptions including delivery of the curriculum plan and class sizes;
 - the cashflow assumptions, particularly in relation to the eight modelled scenarios;
 - the key risks to delivery and the likely timings of when these could impact;
 - the **risks and opportunities register** which had been developed to present metrics to inform the Board's consideration of future financial sustainability and aide decision

making, and set out the potential financial impact and risk score for all the key risks and opportunities relating to the delivery of the financial plan;

- the likely impact of inflation and cost of living increases, including concerns regarding future pressures on wage costs;

B22/93 The Board considered the eight modelled scenarios in detail and agreed that student recruitment was the key determining factor, and that whilst current indications were positive for Autumn delivery it was not possible to accurately predict the likely position at this point.

B22/94 The Board:

- welcomed the extremely thorough and well thought through plan and scenarios;
- recognised that a number of the scenarios presented would leave the College in a very challenging financial position;
- recognised the complexity of understanding the College's financial position with so many variable factors which could impact either positively or negatively, and agreed that whilst the range of scenarios that could be modelled were endless those provided gave a good indication of potential outcomes;
- noted that work on reverse stress testing had been initiated;
- agreed that the plan was a fine balance between ambition and prudence which had been built based a very detailed curriculum plan;
- agreed that the Board needed to be prepared to consider the position robustly at every appropriate milestone, and be prepared to act swiftly as required.

B22/95 The Board approved the proposed 3-year financial plan, including a deficit budget for 2022/23 which formed part of a three year recovery plan.

B22/96 The Board considered and approved proposed subcontracting arrangements for 2022/23.

B22/97 The Board noted that a refreshed subcontracting policy would be presented to the Board for approval at its meeting in September 2022.

- Resolved:**
- i That the draft financial plan 2022/23 – 2024/25 and CFFR be approved and submitted to the ESFA.**
 - ii That the subcontracting of £150K of SYMCA funding to Chesterfield College and/or Grimsby Institute and associated non-pay costs of £36K be approved.**
 - iii That a refreshed subcontracting policy be presented to the Board for approval at its meeting in September 2022.**

FINANCIAL OVERSIGHT (Document 3iii)

B22/98 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, although the Colleges Insolvency Regime would allow for the appointment of an education administrator;
- 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.

B22/99 The Board considered whether there was anything new that now indicated that the College was in danger of an insolvent winding up. In its assessment the Board considered where it could take its assurances from which included:

- the work of the Further Education Commissioner to date;
- the key strategic risk register and controls;
- the work of the financial statements auditor in relation to the 2020/21 financial statements and planning for 2021/22;
- funding allocations for 2022/23 and beyond;
- the likely position in relation to residential funding from 2023/24 onwards;
- recruitment of learner numbers for 2021/22 and 2022/23;
- financial performance during 2021/22 as a result of COVID-19 and likely implications;
- the College's 3-year financial plan;
- scenario modelling, metrics and stress testing activity;
- the College's cash position;
- pension liabilities;
- property assets;
- the RSM/Stone King workshop - 5 July 2022.

B22/100 A separate confidential minute was recorded.

B22/101 The Board agreed that:

- it was assured that the College 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.

B22/102 It was agreed that in order to ensure the Board was kept informed over the summer period the following reports would be provided at appropriate intervals:

- management accounts for June and July as submitted to the ESFA as part of the intervention process;
- recruitment reports for June, July and August as submitted to ESFA as part of the intervention process;
- minutes from any formal meetings e.g. ESFA case conference meetings;
- an accompanying summary of any significant key strategic/context changes.

Resolved: i That a re-assessment of the College's position in relation to avoiding an insolvent winding up be undertaken at the October 2022 Board, or earlier if any additional information was received.

ESFA CORRESPONDENCE (Document 4i)

B22/103 The Board received and noted the following correspondence from the ESFA:

- financial health and performance notification;
- intervention status notification;
- annual strategic conversations – sector outcomes.

Resolved: i That the ESFA correspondence be noted.

RISK REGISTER – KEY STRATEGIC RISKS

B22/104 The Board considered the risk register recognising that the College's key strategic risks had been explored throughout the meeting and noted that the direction of travel of risks had remained static throughout, with the exception of the risk related to the timing of funding payments which had been mitigated and should be removed.

B22/105 It was noted that:

- changes to the Ofsted inspection framework regarding skills would be considered by the Curriculum, Quality and Student Experience Committee at its next meeting, reporting to the Board as appropriate;
- that the College should achieve cyber essentials accreditation by the end of July 2022;
- a consultation regarding the triennial SYP pension scheme valuation would take place in the Autumn and governors would be encouraged to be involved as appropriate;
- funding assurance would be a priority in the 2022/23 internal audit plan.

B22/106 The Board agreed that the register was an accurate reflection of the risks faced by the College and the mitigating actions and controls were appropriate.

Resolved: i That risk 4a Cashflow implications due to changes in when funding is paid to the College be removed from the strategic risk register.

INTERNAL AUDIT (Document 4iii)

B22/107 The Board considered and approved a proposal from the Audit Committee that an internal audit provider not be appointed for 2022/23, but specialist providers be engaged on an assignment by assignment basis to ensure that the College achieved robust assurance in line with key risks. It was noted that an internal audit plan for 2022/23 would be presented by the Audit Committee at the meeting in December 2022.

Resolved: i That the Board consider and approve an internal audit plan for 2022/23 at its meeting in December 2022.

- ii That a contracted internal audit provider not be appointed for 2022/23, but specialist providers be engaged on an assignment by assignment basis to ensure that the College achieve robust assurance in line with key risks.**

POLICIES FOR APPROVAL (Document 4iv)

B22/108 The Board considered and approved revised policies as recommended by the relevant committee(s). It was noted that as the updated Keeping Children Safe in Education (KSIE) guidance would not be published until September 2022 further minor amendments may be required to the safeguarding policies.

Resolved: i That the data protection and information security, additional learning support, admissions, safeguarding adults and safeguarding children and young people policies be approved.

GOVERNANCE MATTERS (Document 5i)

B22/109 The Board considered and approved a range of governance matters.

- B22/110 The Board noted the resignation/end of the terms of office of the following members, and formally noted their outstanding contributions to the work of the College over many years:
- Clive Macdonald
 - Bob Harrison
 - Mike Bramhall
 - Ken Richardson
 - Henry Otulakowski

- Resolved:**
- i That Ann Corrigan be reappointed in the category of ‘interest and experience’ for a second term of four years from 1 August 2022 to 31 July 2026.**
 - ii That Maria Bowie be appointed in the category of ‘staff governor – academic’ for a four-year term of office from 19 September 2022 to 18 September 2026.**
 - iii That Colin Forrest be reappointed in the category of ‘interest and experience’ for a second term of four years from 1 August 2022 to 31 July 2026.**
 - iv That Tim Thornton be reappointed in the category of ‘interest and experience’ for an exceptional term of two years from 1 August 2022 to 31 July 2024.**
 - v That Colin Forrest be appointed as chair of the Curriculum, Quality and Student Experience Committee.**
 - vi That Mark Sanders be appointed as the chair of the Policy and Finance Committee.**
 - vii That Mark Sanders be appointed as a member of the Remuneration Committee.**
 - viii That Emma Norton be appointed as a member of the Audit Committee.**
 - ix That Maria Bowie be appointed as a member of the Curriculum, Quality and Student Experience Committee.**
 - x That the revised meeting schedule for 2022/23 be noted.**
 - xi That the FE and Sixth-Form College Corporations: Governance Guide be noted.**

REPORT FROM LEAD GOVERNOR – SAFEGUARDING

B22/111 The Board received a verbal update from the Lead Governor – Safeguarding which provided assurance regarding the College’s safeguarding arrangements.

B22/112 In particular the Board noted:

- the assurance that the College was very well placed in relation to the good practice set out on a recent training course attended by the lead governor;
- that KSIE changes had been reflected in the updated safeguarding policies;

- the development taking place regarding student voice, learning walks and Ofsted preparation.

Resolved: i That the report be noted.

MINUTES FROM COMMITTEES (Document 5iii)

B22/113 The Board received and noted minutes from the following committees:

- Curriculum, Quality and Student Experience Committee – 21 February 2022;
- Audit Committee – 21 February and 13 June 2022;
- Policy and Finance Committee – 3 February, 12 May and 16 June 2022.

CONFIDENTIAL MINUTES AND MATTERS ARISING

B22/114 The minutes of the meeting held on 23 May 2022 were approved as an accurate record.

CONFIDENTIAL MINUTES FROM COMMITTEES (Document 6ii)

B22/115 The Board received and noted confidential minutes from the following committees:

- Audit Committee – 13 June 2022;
- Policy and Finance Committee – 12 May and 16 June 2022;
- Remuneration Committee – 8 March 2022.

STAFFING MATTERS (Document 6iii)

B22/116 A separate confidential minute was recorded.

DATES OF THE NEXT MEETINGS

B22/117 29 September 2022 – 11.00am (development session 10.00 – 11.00am)
 15 December 2022 – 11.00am (development session 10.00 – 11.00am)
 9 March 2023 – 11.00am (development session 10.00 – 11.00am)
 20 July 2023 – 11.00am (development session 10.00 – 11.00am)