



Northern College

THE BOARD OF GOVERNORS

Minutes of the meeting of the Board of Governors held on **23 May 2022**.

Present: Bob Harrison, Clive Macdonald (Chair), Mark Sanders, Yultan Mellor (Principal), Colin Forrest, Liz Stanley, Neil James, Seb Schmoller, Henry Otulakowski (from Min B22/62 onwards), Sue Horner, Ann Corrigan, Tim Thornton (up to and including Min B22/64), Clare Clifton, Bob Craig, Emma Norton, Neil Copley and Ken Richardson (up to and including Min B22/66).

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: Mike Bramhall.

DECLARATIONS OF INTEREST

B22/52 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 member of the Leeds City Region Employment and Skills Panel 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

B22/53 The minutes of the meetings held on 10 March and 11 April 2022 were approved as an accurate record.

CONTEXT UPDATE

B22/54 The Board received a verbal update setting out key developments in the context in which the College was operating, including:

- the future of the residential uplift;
- the outcome of the FEC strategic visit on 16 May 2022;

- the visit from Minister Burghart and Miriam Cates MP;
- verbal feedback from the LocatED site visit on 3 May 2022;
- funding allocations for 2022/23;
- the West Yorkshire Combined Authority advisory audit of residential assessments, noting that the final report had not yet been received;
- the College's annual strategic conversation with the ESFA which was planned for 9 June 2022.

B22/55 The Board particularly explored:

- the written confirmation of the continuation of the residential uplift for 2022/23 from the ESFA, noting that this was despite the Minister's commitment to two years;
- feedback from the LocatED visit noting that:
 - they had recognised the complexity of the estate and that responsibility for the heritage of the site should not fall solely to the College;
 - the FEC had not commissioned any further work from them on the College's behalf at this stage;
 - they had fed back to the FEC ahead of their strategic visit on 16 May and planned to feedback verbally to the College;
- funding allocations, noting that:
 - the College had received an allocation from the ESFA, which was in line with 2021/22 allocations;
 - WYCA had provided a 3-year indicative allocation but had informed the College that they would review the 2022-23 allocation after the R10 return at the end of May 2022, and potentially reduce this based on current year performance;
 - the College had not yet received an allocation from SYMCA, however for planning purposes was assuming the same allocation less the 15% growth element as notified verbally;
- feedback from the FEC strategic visit on 16 May 2022, noting that written feedback had not yet been provided, but brief feedback captured at the end of the visit had included a commitment to re-visit in the Autumn to consider the College's September recruitment position.

B22/56 A separate confidential minute was recorded.

Resolved: i That the report be noted.

PERFORMANCE TO DATE 2021/22

B22/57 The Board considered the **KPI dashboard 2021/22 to 3 May 2022**, with a particular focus on year end outturn and impact for the future, noting that:

- there had been an upturn in participation numbers;
- conversion remained fairly low but was improving;
- student attendance remained relatively static;
- the best-case achievement rate would be 95.1%;
- class size at 6.15 was significantly below target, but the College had taken the decision to run with smaller groups than ordinarily in order to develop progression;
- staff absence remained below benchmark.

B22/58 The Board particularly explored the class size data, agreeing that whilst it was not where the College wanted it to be the decision to deliver with smaller numbers was appropriate in the circumstances.

B22/59 The Board considered **Management Accounts for 2021/22 to 31 March** and a report which set out **student recruitment data for 2021/22** to date in detail, in particular noting that:

- the current outturn for the year had been reduced to a deficit position of £1,434k, which included a general non pay contingency of £50k, as well as £500k contingency against community learning provision;
- the biggest impact had been in relation to AEB income and long course starts;
- whilst the student recruitment position had improved, the College had been unable to sufficiently recruit the required volume of students across AEB and community learning for 2021/22;
- the College was reducing costs where possible in both pay and non-pay;
- utility costs had increased significantly (gas 320%);
- subcontracting income had reduced in scale and scope due to later than anticipated formal approval from the funder;
- community learning enrolment numbers were more than double that of the previous year to date (618 at end of March 2022 compared to 208 at the same point in 2021);
- key sensitivities related to AEB income;
- previously approved additional expenditure had been delayed;
- the impact on the balance sheet and cash flow position.

B22/60 The Board agreed that:

- performance in 2021/22 was not where the College wanted it to be;
- the College was not an outlier in the sector in relation to low adult student recruitment in 2021/22, but the impact on the College as an adult only residential provider was more significant;
- a sustainable three-year financial plan and budget for 2022/23, and successful Autumn student recruitment would be critical.

Resolved: i That the report be noted.

DRAFT FINANCIAL PLAN (Document 4i)

B22/61 The Board considered an initial draft three-year financial plan 2021/22 – 2023/24, noting that:

- due to the College's recruitment in 2021/22 continuing to be impacted by Covid the planned growth for years 2 and 3 in the College's financial plan set as part of its independent proposal in July 2021 was no longer realistic and had therefore been revisited;
- a new curriculum plan had been carefully developed for 2022/23 which was more detailed than ever before and included lower class sizes and residential learners based on 2021/22 performance;
- new provision in Stocksbridge had been planned but was not yet included in the curriculum plan;
- area budgets had been scrutinised in detail;
- 2023/24 and 2024/25 assumed a 10% growth from baseline each year;
- funding allocations for 2022/23 and beyond were based on the information available to date;
- pay costs reflected the increase in National Insurance contributions, changes in pension contributions and no pay award;
- non pay increases included significant increase in utility charges, increased expenditure in insurance, audit and marketing;
- further targeted savings and contingency had been included for each year resulting in a deficit position for 2022/23 of £310K, returning to a surplus in years two and three.

- B22/62 The Board carefully considered:
- cashflow which had been modelled to June 2024 and included four scenarios, particularly exploring cash low points, cash days and reserves and noting that the impact of West Yorkshire decisions needed to be modelled;
 - the headline curriculum plan for 2022/23;
 - a range of potential scenarios and sensitivities and their impact on the College's financial position and cash flow.
- B22/63 The Board noted that:
- the initial plan had been considered by the Policy and Finance Committee at its meeting on 12 May 2022;
 - the committee had supported the direction of the curriculum plan, supported the two-year recovery strategy and agreed that the Board should consider the initial draft plan in detail at this meeting, taking into consideration the outcome of the FEC strategic visit on 16 May.
- B22/64 The Board challenged in detail:
- the College's ability to achieve the savings outlined and how they would be realised;
 - the reliability of the curriculum plan and the level of confidence in the College's ability to achieve recruitment targets, noting that:
 - recruitment to September long courses was taking place much earlier than previously and initial signs were positive;
 - there were a substantial number of progressions from level two which had not been available in 2021/22;
 - there would be a key focus on keep warm activities and conversion;
 - the curriculum plan had been very carefully developed and courses were being packaged to support recruitment;
 - work with employers was developing;
 - the new provision in Stocksbridge was a positive development;
 - the scale of the curriculum plan in comparison to 2018/19 and earlier was very comparable in terms of enrolment targets;
 - the level of confidence in the ability to achieve commercial income targets, noting that progress was positive to date, and it was hoped that progress could be made with planning challenges;
 - the cash position and level of reserves and how this would be impacted by a range of scenarios;
 - the scoping of the likely scenarios and what others could/should be considered;
 - the impact on going concern into the future.

B22/65 A separate confidential minute was recorded.

Resolved: i That the draft financial plan 2022/23 – 2024/25 be refined further and presented for approval by the Board at its meeting in July 2022.

FUTURE DIRECTION OPTIONS (Document 4ii)

B22/66 A separate confidential minute was recorded.

FINANCIAL OVERSIGHT – GOING CONCERN ASSESSMENT (Document 5i)

B22/67 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.

B22/68 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;
- funding allocations for 2022/23 and beyond;
- the likely position in relation to residential funding from 2022/23 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;
- the College's cash position;
- pension liabilities;
- property assets.

B22/69 A separate confidential minute was recorded.

B22/70 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.

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

RISK REGISTER – KEY STRATEGIC RISKS

B22/71 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.

B22/72 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 the risk register be noted.

FINANCIAL STATEMENTS AUDITOR – ENGAGEMENT LETTER

B22/73 The Board considered and approved for signing the Engagement Letter from RSM, the College's financial statement auditors for 2021/22.

Resolved: i That the College's engagement letter with RSM be approved for signing by the Chair of the Audit Committee.

CATERING SERVICES

B22/74 A separate confidential minute was recorded.

PAY AWARD PROPOSALS

B22/75 A separate confidential minute was recorded.

DATES OF THE NEXT MEETINGS

B22/76 14 July 2022 – 11.00am (development session 10.00 – 11.00am)
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)