



Northern College

THE POLICY AND FINANCE COMMITTEE

Minutes of the meeting of the Policy and Finance Committee held on 16 June 2022.

Present: Clive Macdonald (Chair), Mark Sanders, Yultan Mellor (Principal), Clare Clifton, Neil Copley, Tim Thornton 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

P22/39 Each governor present declared any potential interests/conflicts of loyalty related to items to be considered at the meeting. With respect to his roles as Deputy Vice Chancellor at the University of Huddersfield and member of the West Yorkshire Combined Authority 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.

MINUTES OF THE LAST MEETING AND MATTERS ARISING

P22/40 The minutes of the meeting held on 12 May 2022 were approved as an accurate record.

SECTOR/COLLEGE UPDATE

P22/41 The committee considered a verbal report which provided an update regarding sector developments and changes in the external environment which could impact on College finances, policy development and strategic planning, including:

- feedback from the College's annual strategic conversation with the ESFA, including the potential for LocatED to be commissioned to help the College scope a brief and select a provider to assist in the development of a long-term estate strategy;
- funding allocations for South and West Yorkshire and the College's submission of a business case to retain under delivery claw back for South Yorkshire for 2021/22.

P22/42 A separate confidential minute was recorded.

P22/43 The committee particularly:

- explored funding allocations for 2022/23, noting that South Yorkshire had allocated in line with 2021/22, less the 15% growth element;
- considered opportunities for the College in relation to 'Multiply', noting that the College was already working with partners to develop a proposal for delivery of the project for the DfE;
- noted that the report from the West Yorkshire advisory audit had not yet been received.

Resolved: i That the report be noted.

- P22/44 The committee considered the **KPI dashboard 2021/22 to 8 June 2022**, with a particular focus on year end outturn and impact for the future, in particular noting:
- that application to enrolment conversion rates remained static;
 - attendance was slightly below target at 89%;
 - best case achievement was above target at 95.1%;
 - class sizes were significantly below target at 6.3;
 - staff absence was below benchmark at 4.9%.
- P22/45 The committee particularly explored:
- conversion rates - welcoming the slight increase from February and the emphasis on this aspect by all staff, but noting that no real impact of increased marketing activity had yet been reflected in this metric, and noting that the College was seeking to secure sector benchmarking data for this area;
 - class size – noting that as previously discussed the decision had been taken to run with smaller groups in order to rebuild progression.
- P22/46 The committee considered **Management Accounts for 2021/22 to 30 April** noting that:
- the current outturn for the year had been reduced to a deficit position of £1,526k, including a general non pay contingency of £50k and £500k contingency against Community Learning provision;
 - AEB income had reduced by a further £98k for College delivery and £5k for subcontracting, taking the AEB shortfall to £959k to reflect anticipated income levels;
 - overall the College was forecasting a reduction in pay costs of £449k, a further reduction of £24k on the previous month;
 - performance indicators were green, with the exception of surplus as a percentage of income, EBITDA and pay as a percentage of income;
 - year to date cash days were 484;
 - cash reserves at the end of July 2022 were expected to be £3,104k, anticipated changes and contingencies would give a cash low point of £826k in March 2023 based on the current forecast position for 2021/22 and the draft budget for 2022/23, including proposed savings.
- P22/47 The committee particularly explored:
- community learning enrolments and costs, noting that whilst enrolments were more than double that of the previous year at this time, they remained below target;
 - sensitivities and the impact on cash flow;
 - the ESFA financial health rating;
 - pay as a percentage of income, which was significantly above target due to reduced income;
 - opportunities related to shared services.
- P22/48 The committee considered a **student recruitment update for 2021/22 and 2022/23** noting that:
- recruitment for 2022/23 was underway and initial indicators in most areas were positive, particularly compared to the same time in previous years;
 - short courses had been reimagined into termly packages for students, providing planned programmes for those students with a career goal in mind, and marketing for these would commence in June 2022;
 - the College was in the process of securing delivery in the community as part of the Stocksbridge Towns Fund project, and promotion was planned to commence in January 2022, with the first students on programme from April 2022;

- it was still very early in the recruitment process to draw any strong conclusions from the data for 2022/23 so far;
- recruitment performance was closely monitored and reviewed by the Executive Leadership Team in detail on a weekly basis.

P22/49 The committee considered an **analysis of conversion data for 2022/23** to date in detail. It was noted that:

- conversion rates were being carefully tracked and a full ‘keep warm’ action plan was in place;
- the overall position reported in relation to offers was positive, but it was difficult to assess what this meant as the process and timing was different to previous years;
- overall 40% of offers to date were residential, but this varied significantly across courses;
- a robust approach to ‘keep warm’ activities with applicants was in place but the College had to be careful not to over contact potential students.

P22/50 The committee agreed that:

- financial performance and recruitment for 2021/22 was not where the College would like it to be and this created a challenging position for the College;
- the position to date for 2022/23 recruitment was positive, but it was too early to assume any level of confidence at this stage;
- effective conversion would be key to recruitment success, and effective ‘keep warm’ activities would be crucial;
- messaging regarding the residential offer was important and should be further developed;
- applicants who did not take up offers in 2021/22 should be revisited.

Resolved: i That the report be noted.

DRAFT FINANCIAL PLAN 2023/23 – 2024/25 (Document 4i)

P22/51 The committee considered a draft three-year financial plan, particularly noting that:

- the plan had been further developed following consideration of an initial draft at the last meeting;
- the plan had been re-based in line with performance in 2021/22;
- income was based on allocations, plus growth in commercial activity;
- the curriculum plan had been further refined, and was based on a class size of 10;
- additional costs had been included, including increased utilities;
- targeted savings had been factored into 2022/23;
- the targeted reforecast position was for a £245K deficit in 2022/23, and surpluses of £157K in 2023/24 and £414K in 2024/25.

P22/52 The committee explored in detail:

- targeted savings for 2022/23 and their achievability;
- savings arising from changes to weekend opening and possible restructuring costs;
- savings arising from previously approved changes to pension schemes;
- the likely impact of the new Stocksbridge provision;
- potential changes to West Yorkshire allocations and payment plan.

P22/53 The committee:

- carefully considered a range of cash flow scenarios, noting that they had been modelled taking into account the remaining sensitivities for 2021/22 in terms of AEB under delivery, repayment requested in year from WYCA and various scenarios for 2022/23;

- noted that there were scenarios which would result in the College no longer being a going concern, and others which would see a manageable financial position;
- noted that there were many other risks and opportunities which could form additional models – and a number of these had been included in the risk and opportunities register;
- agreed that it was impossible to select a most likely scenario due to the complex context and wide range of impacting factors;
- explored the rationale for and likely impact of weekend closure, noting that current students had welcomed the approach and the additional flexibility the revised delivery model offered;
- explored the reliability of commercial income predictions, noting that the College still awaited the outcome of the change of use planning application and the developing business being achieved;
- agreed that an indication of the confidence level of achieving the proposed savings would be a useful addition to the plan;
- noted that further changes to the plan may be required prior to its submission to the Board as the position developed.

Resolved: i That subject to any further changes being required as the position developed further the 3-year financial plan be recommended to the Board for approval.

FINANCIAL SUSTAINABILITY METRICS (Document 4ii)

P22/54 As agreed at the meeting of the Board in May 2022 the committee considered a first draft approach to developing metrics to inform the Board's consideration of future financial sustainability and aide decision making. The committee was invited to input into shaping the approach in order to ensure that the Board was appropriately informed in relation to the impact of potential scenarios – both in terms of risks and opportunities.

P22/55 The committee:

- welcomed the proposed approach;
- agreed that the complexity of the potential scenarios meant that it was difficult to identify simple quantifiable tipping points;
- agreed that student recruitment would be the strongest single indicator;
- agreed that the report would support the consideration of the position by the Board in both July and October 2022.

P22/56 The committee agreed that:

- inclusion of a mitigation column would help with understanding of the likelihood of the risk and opportunities materialising and aide tracking of the implementation of mitigating actions;
- the recruitment risk should be adjusted to reflect a higher level of recruitment required to ensure financial sustainability;
- the impact of changes to the West Yorkshire funding payments had potentially been over-emphasised;
- clarification should be provided regarding what is meant by high, medium, low.

Resolved: i That the report be further developed and submitted to the Board for consideration.

RISKS OVERSEEN BY THE COMMITTEE (Document 4iii)

P22/57 The committee considered the register of risks it oversees and agreed that all the key risks had been explored in detail throughout the meeting and the risk register would be updated accordingly to take into account discussions.

P22/58 The committee noted that appropriate new risks had been added relating to changes in how the College is paid its funding, insolvency and funding clawback.

P22/59 The committee agreed that the register appropriately reflected the actual strategic risks faced by the College, mitigating actions were appropriate and the information was clear and concise.

Resolved: i That the risk register be updated accordingly.

ESFA OVERSIGHT LETTER (Document 5ii)

P22/60 The committee noted the letter from the ESFA which confirmed that following an assessment of risk the ESFA had concluded that there remained significant concern regarding the College's financial health and as a consequence the College remained in intervention.

Resolved: i That the report be noted.

DEBTOR WRITE OFFS FOR APPROVAL (Document 5iii)

P22/61 The committee considered debtor write offs for approval, noting that:

- requests to write off individual debts in excess of £3,000 or a group in excess of £10,000 per annum, must be referred in writing to the Assistant Principal – Finance and Business Services for submission to the Policy and Finance committee for consideration
- approval was sought to write off several debts which in total equated to £10,782.22;
- no single debt exceeded £3,000;
- most of the debts related to books and equipment that were either not returned to the College or were damaged upon return, plus a number of small tuition fee debtors that mainly related to students who had left courses part way through due to personal circumstances;
- the total level of debt at 26 May 2022 over 121 days was £13,758.62, therefore the current bad debt provision for 2021/22 of £15,297.52 covered this and would be significantly reduced again for 2022/23 should the committee agree to write off the debts as requested.

P22/62 The committee explored:

- the arrangements in place to chase and recover debts, and were assured that the process was robust and appropriate;
- sanctions imposed, noting that those available were used appropriately;
- the value of non-returned iPads, noting that those not returned were obsolete.

Resolved: i That the writing off of debts equating to a total value of £10,782.22 be approved.

GOVERNANCE MATTERS

P22/63 The committee agreed to recommend to the Board of Governors that Mark Sanders be appointed as chair of the committee.

P22/64 The committee formally noted its thanks to Clive Macdonald for his outstanding contribution to the College in his role as chair of the committee.

Resolved: i That it be recommended to the Board of Governors that Mark Sanders be appointed as chair of the Policy and Finance Committee.

CONFIDENTIAL MINUTES OF THE LAST MEETING AND MATTERS ARISING

P22/65 The confidential minutes of the meeting held on 12 May 2022 were approved as an accurate record.

STAFFING MATTERS (Document 7i)

P22/66 A separate confidential minute was recorded.

DATES OF THE NEXT MEETINGS

P22/67 15 September 2022 - 10.00am
10 November 2022 - 10.00am
2 February 2023 - 10.00am
27 April 2023 - 10.00am
15 June 2023 - 10.00am