



## Northern College

### POLICY AND FINANCE COMMITTEE

Minutes of the meeting of the Policy and Finance Committee held on **10 November 2022**.

**Present:** Mark Sanders (Chair), Yultan Mellor (Principal), Claire Clifton, Ann Corrigan.

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

**Apologies:** Tim Thornton, Neil Copley and Neil James

### DECLARATIONS OF INTEREST

P22/96 None.

### MINUTES AND MATTERS ARISING

P22/97 The minutes of the meeting held on 15 September 2022 were approved as an accurate record subject to the following amendment:

- P22/74 – LGPS deficit should read £370k rather than £390k.

P22/98 It was reported that in ref to min P22/81 – the cost to the Estates Strategy would be £20k to £25k as opposed to £15k.

P22/99 The Principal's decision to resign from her position was noted, along with an appreciation for all her hard work and achievement.

### SECTOR AND COLLEGE UPDATE (Document 2i)

P22/100 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:

- the Skills White Paper consultation - noting that:
  - the process had been stalled; most of the feedback received related to community learning outcomes and outputs, with providers expressing concerns regarding the limits placed on the use of funds and the narrowing of priorities and the impact this could have on engagement;
  - devolution has been a key discussion area, with the DfE seeking to introduce accountability for devolved bodies;
  - accountability agreements were a new expectation emerging from funding and accountability reforms which will set out the overall expectations of providers in return for the Department's funding investment, colleges will be required to submit their first annual accountability statement setting out how they will respond to those priorities by 31 May 2023;
- ONS change of classification for colleges – noting that the decision had been delayed to the end of November 2022, but it seemed likely that colleges would be moved to the public sector;
- funding conversations – West Yorkshire Combined Authority – it was reported that whilst the College did not have a commitment to residential funding for 2023/24 at

this stage, it had been indicated that next academic year would be used as a transition year to a new model of funding, but there was no proposed model at this stage. There had also been an indication that West Yorkshire may increase adult education funding by 10% for 2023/24, but this had also not been confirmed;

- funding conversations – South Yorkshire Mayoral Combined Authority – as yet no decision had been received regarding the College’s COVID business case for 2021/22, but it was understood that it was being considered by the Education, Skills & Employment Board on 26 October 2022, discussions had also focussed on future residential funding, value for money and repeat qualifications;
- funding conversations – national/DfE – a paper was again being submitted to the minister regarding future residential funding, but there was no clear timeline for decision making;
- Finance and Provider Market Oversight (FPMO) – the College continued to work with FPMO regarding future sustainability.

P22/101 The committee particularly explored:

- the likely implications for the College of a move to the public sector, noting that positives could include the ability to reclaim VAT and an increase in funding for pay and pensions expenditure in line with schools, and noting that there could also be a corresponding increase in intervention powers;
- current funding information regarding 2023/24 and potential financial implications, agreeing that clarity was required in order to enable the College to undertake curriculum and financial planning, and that whilst a further roll forward of the residential uplift for 2023/24 would be welcomed the agreeing of longer-term funding model was critical;
- explored the strategic actions being taken in order to clarify/secure effective future funding and were assured that appropriate actions and conversations were taking place.

**Resolved: i That the report be noted.**

## PERFORMANCE REPORT (Document 3i)

P22/102 The Committee considered the **management accounts to 30 September 2022** noting that:

- the format of the management accounts had been developed in line with a best practice model issued by the FEC;
- the current forecast outturn was £24k behind budget;
- the total income forecast was in line with the original budget;
- total pay costs were £49k less than budget YTD;
- non-pay costs were currently £123k under budget YTD, but were forecast to be £84k above budget at year end due to unavoidable professional and consultancy fees relating to financial and estates reviews;
- overall the College had moved from a £380k to £404k deficit;
- the cash position had improved due to a slightly higher year-end balance;
- the full year forecast for financial health rating was 200 points which is good, however this would be moderated to requires improvement due to a negative EBITDA.

P22/103 The committee:

- welcomed the new format which it agreed allowed any issues/challenges to be easily identified and explored;

- explored the EBITDA and the worsening direction of travel;
- interrogated the cash position and implications, noting that the cash low point had improved due to the timings of spend and clawback in December, but agreeing that there remained a number of risks including the triennial valuation of LGPS and the impact on contributions;
- interrogated the appropriateness of additional expenditure and areas of savings, and agreed that the professional fees expenditure was appropriate in terms of supporting longer term sustainability;
- explored the likely further impact on in-year finances, and how these were being mitigated;
- considered the potential impact of increased inflation, particularly significant potential increases in utility costs;
- explored scenarios for potential student recruitment performance for the remainder of 2022/23 and the financial impact, particularly on the cash position;
- considered the likely impact of the current business development approach and additional activity planned.

P22/104 The committee agreed that there remained significant financial challenges, that effective student recruitment for the remainder of the year continued to be critical and that the approach planned was appropriate given the resource constraints. The committee agreed that the financial reforecast to be presented to the Board on 25 November 2022 would be a key milestone.

P22/105 The committee considered the **KPI dashboard for 2022/23 to 30 September 2022**, with a specific focus on areas rag rated red or amber, particularly noting that:

- attendance was good at 1% above target, and conversion whilst not where the College would want it to be it had improved and was higher than the previous year;
- the calculation for the turnover figure for staffing had changed to exclude sessional tutors in line with the other categories;
- funding was on track with the exception of AEB short courses;
- capital expenditure was focussed on achieving efficiency savings particularly around energy;

P22/106 The committee explored:

- potential further efficiency savings that could be achieved in relation to energy, particularly noting restrictions in relation to the grade I and II listings of the buildings and load bearing;
- participation and funding.

P22/107 The committee considered a detailed **student recruitment report** which set out the position to 2 November 2022, noting that whilst long course residential enrolments remained strong, Pre-Access had recruited above target and level 3 Counselling provision had enrolled above target, Teacher Education higher education enrolments were below target and short course enrolments remained challenging. The committee interrogated the data and the planned strategy for recovery in-year, noting the focus on short courses, new roles and partnerships and activities and events planned. The committee agreed that the position was challenging but appropriate actions were planned and monitoring and reporting was robust.

**Resolved: i That the report be noted**

- P22/108 The committee considered the risks and opportunities matrix which had been developed to present metrics to inform consideration of future financial sustainability and aid 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. It was noted that:
- the matrix had been updated to reflect the changing position;
  - key changes/additions related to under target recruitment in HE provision which needs to be factored into the reforecast, an additional risk relating to additional costs for property and legal advice; the bringing in-house of grounds maintenance, an additional risk relating to retention of staff and use of agency, opportunities related to increased interest rates.
- P22/109 The committee particularly explored commercial income performance and the reasons for underperformance against target and mitigating actions planned, the likely financial impact of HE under recruitment and the issues and impact relating to the increased risks in staff retention.
- P22/110 The committee agreed that the report was helpful in relation to understanding the strategic position and informing decision making.

**Resolved: i That the report be noted.**

#### FINANCIAL TESTING AND OPTIONS REVIEW UPDATE

- P22/111 The committee received a verbal update regarding the financial review and stress testing being undertaken by BDO, including the scope for the work, the timeline and outcomes and how they will be utilised, noting that whilst it was frustrating that the additional work added to the scope by FPMO had delayed the report it did mean the outcome would be more helpful and FPMO had contributed to the costs.
- P22/112 The committee agreed that the report would be a key milestone and would inform strategic decision making.

**Resolved: i That the report be noted.**

#### ESTATES REVIEW UPDATE

- P22/113 The committee received a verbal update regarding the commissioning of the estates review in partnership with Barnsley Council, noting the likely timeline, scope of the project and intended outputs, welcoming the approach and agreeing that the report would be a critical element in setting the strategy in both the short and longer term.

**Resolved: i That the report be noted.**

#### RISKS OVERSEEN BY THE COMMITTEE

- P22/114 The committee considered the register of risks it oversees and agreed that the majority of the key risks had been explored in detail throughout the meeting and the risk register would be updated accordingly to take into account discussions.
- P22/115 The committee particularly explored:
- the implications and timeline for claw back for 2021/22, particularly if the South Yorkshire business case was unsuccessful;
  - the increase in COVID cases and impact, and how it was being managed.

**Resolved: i That the report be noted.**

#### FINANCIAL STATEMENTS (Document 5i)

- P22/116 The committee considered the draft audit findings report for 2021/22, noting that:
- the audit work was substantially complete but was subject to the resolution of a number of outstanding matters;
  - the auditors anticipated issuing an unqualified audit opinion on the true and fairness of the financial statements and an unmodified regularity conclusion;
  - however the work in relation to evaluating going-concern remained incomplete and RSM awaited updated information from management to be in a position to draw a conclusion in respect of this area;
  - this meant that it would be unlikely that the College would meet the 31 December deadline for the signing and submission of the accounts to the ESFA.
- P22/117 The committee considered the **draft financial statements for 2021/22** noting:
- the draft was incomplete at this stage due to the areas still to be resolved;
  - the final deficit position was £1.86m which included the pension adjustments and was £6k better than previously reported;
  - the work to recognise land and buildings in the accounts was still to be completed but would improve the balance sheet position.
- P22/118 The committee:
- explored the position regarding RSMs going concern assessment and the timeline for accessing the further information required, noting that significant elements were out of the College's control;
  - considered the likely timeline and extension options/requirements;
  - agreed that it would be preferable to delay the signing of the accounts to ensure that the going concern evaluation was robust and based on appropriate and up to date information;
  - noted that the statements and audit findings would be presented to the Board in December 2022 for consideration regardless of their completeness;
  - agreed that an extension to the submission deadline should be sought from the ESFA.

**Resolved: i That an extension to the deadline for the submission of the 2021/22 financial statements to the ESFA be requested.**

#### **POLICIES FOR APPROVAL (Document 5ii)**

- P22/119 The Committee considered revised Financial Regulations, noting that:
- whilst the periodic review of the regulations was not due until December 2023 increases in inflation levels meant the current purchasing and tender requirements were constraining the College in being able to be reactive to business needs while maintaining value for money;
  - it was therefore proposed that amendments to para 21.13 be considered ahead of a full review in 2023 as scheduled;
  - EU tenders limits had changed and these should be reflected in the regulations.
- P22/120 The committee considered the proposals, tested their appropriateness, were assured that the full tender process at £15k had not resulted in savings for the College, and agreed to recommend the changes to the Board for approval, noting that they had been benchmarked against and were in-line with other colleges.

**Resolved: i That the proposed changes to the Financial Regulations be recommended to the Board for approval.**

#### **ESFA FINANCIAL HEALTH LETTER (Document 5iii)**

- P22/121 The committee considered the ESFA financial health letter dated 25 October 2022, noting that it had confirmed the expected requires improvement position for both 2021/22 and 2022/23 and had noted the risk of running out of funds and the recommendation of supervised status.
- P22/122 The committee considered and agreed that no new implications arose as a result of receiving the letter.

**Resolved: i That receipt of the letter be noted.**

#### **TERMS OF REFERENCE (Document 6i)**

- P22/123 The committee:
- considered its own performance in relation to its key performance indicators, and noted that all the indicators had been met;
  - considered committee activity in 2021/22 against responsibilities as set out in the terms of reference and agreed that it was appropriate and all key requirements had been met;
  - considered and agreed proposed indicators for 2022/23;
  - considered its terms of reference and agreed that no changes were recommended.

**Resolved: i That the terms of reference be recommended to the Board for approval.**

#### **CONFIDENTIAL MINUTES**

- P22/124 The confidential minutes of the meeting held on 15 September 2022 were approved as an accurate record.

#### **DATES OF THE NEXT MEETINGS**

- P22/125 2 February 2023 – 10.00am  
27 April 2023 – 10.00am  
15 June 2023 – 10.00am