



Northern College

THE BOARD OF GOVERNORS

Minutes of the meeting of the Board of Governors held on **22 February 2023**.

Present: Mark Sanders (Chair), Yultan Mellor (Principal), Colin Forrest, Liz Stanley, Seb Schmoller, Tim Thornton (up to and including min B23/15), Ann Corrigan, Sue Horner, Bob Craig, Emma Norton, Neil James and Neil Copley (from Min B23/4 to B23/12).

In attendance: Mark Thornton and Raoul Lempriere (BDO LLP), the Deputy Principal/Chief Finance Officer (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).

Observing: Clive Howarth (Department for Education) (up to and including min B23/7)

Apologies: None

DECLARATIONS OF INTEREST

- B23/1 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 with regard to item no 3i estates strategy briefing Neil would participate in the discussion but not the decision.

MINUTES AND MATTERS ARISING

- B23/2 The minutes of the meeting held on 25 November 2022 were approved as an accurate record.

FINANCIAL REVIEW AND OPTIONS (Document 3i)

- B23/3 The Board considered a presentation and report arising from the **Independent Financial Review** undertaken by BDO LLP, noting that:
- the scope had included a high-level review of the College's historical trading performance in FY21 and FY22, a review of the College's integrated Income and Expenditure ('I&E'), balance sheet and cash flow forecasts for FY23 and FY24, and conclusions in relation to the financial forecasts and a high-level overview of the options available to the College;
 - the work had enabled BDO to assure the Board that the fundamentals of the College's financial forecasts were sound, with no major issues, assumptions were sensible, and the overall financial models were sound, however there remained significant natural inherent uncertainty due to the nature of the College's provision and delivery models which were relatively unique in the sector and meant that sensitivity analysis, alongside very close monitoring, would be critical;
 - cash reserves were available for the remainder of 2023, which had been scenario tested and figures for 2023/24 created a broadly break-even position;
 - the reducing level of headroom in the cash position however created increased challenges with regards to decision making;
 - a suite of options were presented which needed to be urgently worked through with key stakeholders, alongside the outcome of the estates review due at the end of May 2023;
 - very close financial monitoring, above the norm was required, along with concise decision making.
- B23/4 The Board considered the report in detail noting that its findings remained appropriate in light of the reforecast position, and agreed to:
- urgently explore the options outlined in conjunction with key stakeholders;
 - carefully consider the outcome of the FOCUS estates review and implications, both the interim initial findings report scheduled for 9 March and the final report in May 2023;
 - undertake close and detailed monitoring to inform concise decision making;
 - take appropriate professional advice;
 - undertake timely strategic planning to set out a clear curriculum offer for 2023/24 onwards, ensuring it meets the priorities of funders, and includes an outline of the support required to ensure sustainability through a transition period.
- B23/5 A separate confidential minute was recorded.
- B23/6 The Board considered a **full budget reforecast**, noting that:
- the reforecast had been completed alongside the work with BDO on the independent financial review;
 - the position had deteriorated quite significantly from November 2022, the majority of which related to below target student recruitment;
 - the position reported was closely aligned to sensitivity 1 in the BDO report;
 - the reforecast work had focused on the curriculum plan, previous years' and pre-pandemic trends, and taking into account that the majority of AEB recruitment usually occurred in term 3;
 - commercial income had been reduced, and the impact of pay costs, inflation, capital grants and depreciation cost changes had been reflected;

- the 3-year plan was very difficult to predict, and had assumed a like for like curriculum model, and achievement of the 2022/23 allocation plus 5% growth in 2023/24 and 10% growth in 2024/25;
- overall, there remained a deficit position in 2023/24;
- the 3-year reforecast demonstrated that the College needed to make changes to be viable moving forwards;
- any strategy needed to focus on growth as most costs were fixed.

B23/7 The Board considered the implications of the reforecast position in detail, including the robustness of the student recruitment forecasting and the due diligence undertaken, and agreed that the position reported further reinforced the importance of completing the actions outlined in the BDO report.

B23/8 The Board agreed that:

- whilst the reforecast position confirmed that the College continued to have a reasonable prospect of avoiding an insolvent winding up and could proceed on a going concern basis, there were material uncertainties;
- the student recruitment assumptions behind the 3-year plan were challenging given the College's current performance and accuracy of previous forecasting;
- the key issue was student recruitment, and whilst the estates review was important it would be unlikely to provide a long-term solution in isolation, and a fundamental review of the College's curriculum offer was now required.

B23/9 The Board considered progress to date on the **Estates Review** being undertaken in partnership with Barnsley Council, noting that:

- the project was underway;
- the final report was scheduled for w/c 26 May 2023;
- an early wins/initial view would be presented to the Board for consideration at its meeting on 9 March 2023.

B23/10 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.

- B23/11 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 work of the financial statements auditor in relation to the 2021/22 financial statements;
 - the BDO Independent Financial Review - February 2023;
 - the budget reforecast - February 2023;
 - funding allocations for 2023/24 and beyond;
 - 2022/23 student recruitment performance to date;
 - the College's 3-year financial plan;
 - scenario modelling, metrics and stress testing;
 - the College risk register;
 - the College's cash position;
 - pension liabilities;
 - property assets and the on-going estates review;
 - RSM/Stone King workshop 5 July 2022 and subsequent advice.
- B23/12 After careful scrutiny all Board members agreed that:
- the data/reports considered indicated that the College continued to have a reasonable prospect of avoiding an insolvent winding up;
 - a re-assessment of the situation would be undertaken whenever any additional information was received;
 - key milestones would include the FEC visit on 27 February, the signing of the 2021/22 financial statements in March, the governors' strategic planning session on 22 March, the term 2 student recruitment position at the end of April, the combined authorities visioning session on 4 May, the estates review report at the end of May, the end of year student recruitment position in July, and 2023/24 recruitment in Autumn 2023.
- B23/13 The Board considered a **decision framework** which provided a strategic flow chart to support its decision making with regards to options and strategic actions. The Board, with individual contribution from every member, considered the position taking into account the BDO report and financial re-forecast and:
- considered the options available and timeline for decision making;
 - agreed that early and detailed engagement with key stakeholders would be critical;
 - agreed that a clear communications plan would be essential;
 - agreed that the options regarding reshaping the College's offer and transition funding were intrinsically linked;
 - explored the College's ability and resources available to respond in a timely manner;
 - agreed that bold action was required, with May/June 2023 being critical review points;
 - agreed to pursue option B: reshaping the educational character/ curriculum and operating model, alongside option C seeking transition funding to support sustainability.
- B23/14 A separate confidential minute was recorded.

- B23/15 The Board agreed the following key milestones:
- FEC visit - 27 February 2023;
 - signing of the 2021/22 financial statements - 9 March 2023;
 - strategic planning session - 22 March 2023;
 - term 2 recruitment position - end of April 2023;
 - combined authority visioning event - 4 May 2023;
 - estates review report - end of May 2023;
 - forecast outturn position - - Board 20 July 2023;
 - 2023/24 student recruitment - September 2023.

- Resolved:**
- i That the College continued to have a reasonable prospect of avoiding an insolvent winding up.**
 - ii That a re-assessment of the College's position in relation to solvency be undertaken whenever any significant additional information became available.**
 - iii That the Board undertake careful and close monitoring of financial and student recruitment performance to inform concise decision making.**
 - iv That the College pursue option B: reshaping the educational character/ curriculum and operating model, alongside option C seeking transition funding to support sustainability.**
 - v That the Board meet at appropriate milestone points in March, May, June and July.**
 - vi That the Board take appropriate professional advice (legal and financial).**
 - vii That the College undertake timely strategic planning to set out a clear curriculum offer for 2023/24 onwards and urgently explore the options outlined in conjunction with key stakeholders.**
 - viii That the Board carefully consider the outcome of the FOCUS estates review and implications, both the interim initial findings report scheduled for 9 March and the final report in May 2023.**

RISK MANAGEMENT AND ASSURANCE - RISK REGISTER (Document 6ii)

- B23/16 The Board considered the risk register:
- recognising that the College's key strategic risks had been explored throughout the meeting;
 - noting that each committee had reviewed the risks allocated to it for oversight, with the Audit Committee scheduled to review the overall framework at its meeting in March 2023;
 - particularly considering the changes since the last review.

B23/17 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.

ESFA CORRESPONDENCE (Doc 4ii)

B23/18 The Board received and noted the ESFA Notice to Improve letter dated 28 November 2022, and the ESFA governor dashboard November 2022.

Resolved: i That the ESFA correspondence and dashboard be noted.

FINANCIAL STATEMENTS 2021/22 (Doc 4iii)

B23/19 The Board noted an update regarding progress with the audit of the 2021/22 financial statements, approved the governors report subject to finalisation of the going concern wording with the auditor and noted that it was anticipated that these would be presented for final approval/signing at the next meeting of the Board on 9 March 2023.

B23/20 The Board concluded that in light of the reports considered whilst there was evidence that some material uncertainty existed, there was a reasonable expectation that the Corporation had adequate resources to continue in operational existence for the foreseeable future and for this reason continued to adopt a going concern basis in preparation of its financial statements.

Resolved: i That the Corporation continue to adopt a going concern basis in preparation of its financial statements.

GOVERNANCE MATTERS (Document 7i)

B23/21 The Board considered and approved a range of governance matters.

Resolved: i That Cheryl Guest be appointed in the category of interest and experience' for a four-year term of office from 1 April 2023 to 31 March 2027.

ii That Guido Ngandu be appointed in the category of interest and experience' for a four-year term of office from 1 April 2023 to 31 March 2027.

iii That Andy Taylor be appointed as student governor from 13 March 2023 to 31 May 2023.

iv That the resignations from the Board of Clare Clifton and Maria Bowie be noted.

v That Guido Ngandu be appointed to the Audit Committee.

vi That Cheryl Guest be appointed to the Audit Committee

vii That Maria Bowie be appointed as an independent member of the Curriculum, Quality and Student Experience Committee for a term of office from 1 April 2023 to 31 March 2027.

viii That the appointment of Ann Corrigan to the Remuneration Committee by chair's action be ratified.

CONFIDENTIAL MINUTES AND MATTERS ARISING

B23/22 The confidential minutes of the meeting held on 25 November 2022 were approved as an accurate record.

DATES OF THE NEXT MEETINGS

B23/23 9 March 2023 - 11.00am (development session 10.00 - 11.00am)
22 March 2023 - strategic planning session
Additional meetings - May and June to be confirmed
20 July 2023 - 11.00am (development session 10.00 - 11.00am)