

THE CORPORATION OF EAST SURREY COLLEGE

FINANCE AND RESOURCES COMMITTEE

MEETING HELD ON THURSDAY 24 JUNE 2021 VIA MICROSOFT TEAMS

Meeting commenced: 18.00

Meeting ended: 19.20

Present

Phillip Kerle	Independent Member	Chair
Simon Bland	Independent Member	
Andrew Baird	Independent Member	
Derek Galloway	Independent Member	
Jayne Dickinson	Chief Executive (College Group)	Principal (ESC)

In attendance

Jyoti Baker	Chief Operating Officer (College Group)
Kevin Standish	Principal (JRC) Quality Lead (College Group)
Mitzi Gibson	Executive Director HR and Professional Development

Clerk

Sue Glover	Director of Governance
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FRC.14.21 Declaration of Interests

Members and officers were reminded of the need to declare any personal or financial interest in any item to be considered during the meeting.

Andrew Baird declared that, as part of his role with the FE Commissioner's National Leaders of Governance team, he has been seconded to Brooklands College as the interim Chair.

Phillip Kerle declared that he is a governor of West London College.

There were no other declarations of interest.

FRC.15.21 Apologies for Absence

There were no apologies for absence.

FRC.16.21 Notification of Any Other Business

Members agreed that there was no other business to be considered.

FRC.17.21 Unconfirmed Minutes of the meeting of the Finance and Resources Committee held on 4 March 2021

The minutes of the meeting were approved and signed as a correct record.

FRC.18.21 Matters Arising and Action Points from the Minutes of the meeting

Members agreed that there were no matters arising from the minutes of the meeting.

Members noted that all Action Points arising from the meeting had been addressed to the satisfaction of the Committee.

FRC.19.21 Risk Management Summer Term 2021

The Chief Operating Officer presented, for consideration and approval, a report, which provided an update on the assessments and actions for the following risks assigned to the Committee:

- **Risk FR1 – Failure to maintain at least ‘Good’ financial health – ‘Significant’ risk, no change**
- **Risk FR2 – Breaches of Legislation or Contract Obligations that the College Group needs to comply with – ‘Significant’ risk, no change**
- **Risk FR3 – Inability to attract/retain and develop staff with the right mix of skills – ‘Significant’ risk, no change**

Members considered the detail of each of the risks, noting that

- Risk FR1 - whilst the overall risk is ‘amber’, two of the six contributory factors are ‘red’ risks
- the residual risk for ‘failure to recruit student numbers to meet or exceed allocation’ has been reduced to an ‘amber’ risk as
 - the only contract that could result in the claw-back is the GLA AEB
 - lower than budgeted HE numbers have been mitigated by increases in the schools numbers
 - the 16-18 and ESFA/AEB contracts have been met
- the residual risk for ‘failure to achieve the budgeted surplus’ has been increased from ‘amber’ to ‘red’ in the light of more active requirements in the latest Audit Code of Practice on the ‘going concern’ declaration
- the residual risk for ‘failure to manage the quality of subcontracting provision’ has increased from ‘amber’ to ‘red’ due to the amount of resources being taken up by Nottingham Academy of Music
- there are no ‘red’ risks within Risk FR2, however the inherent risk score associated with Covid-19 remains high

Members discussed the issues raised and, in response to questions, were advised that

- the College is due to make an operating deficit for the 2020/21 academic year and, whilst, this will not affect the going concern sign off it was felt prudent that this remains a risk to be noted. This risk is also featured on the risk register for the Audit Committee to raise awareness
- the appointment of some senior management, including the Chief Executive, is beginning to have an impact at Nottingham and the Executive team are actively engaged in resolving issues

The Committee agreed that the proposed amendments to the register were appropriate and there were no further changes required.

Members noted the key impact measures arising from the report, in particular the strategic implications.

Resolved

The Finance and Resources Committee approves the Risk Register: Summer Term 2021 relative to its risk assignments and commends the report for approval by the Corporation Board

FRC.20.21 College Policies

The Chief Operating Officer presented, for consideration and approval, the following College policies:

- **OSC74 – Business Continuity Plan and IT Disaster Recovery Plan**
- **OSC33 – Student Bursary Policy**
- **OSC38 – Fees Policy**
- **OSC39 – Refunds Policy**
- **OSC41 – Subcontractor Fees Policy**
- **OSC07 – IT Equipment Policy for Students**

The Committee was advised that

- a regular cycle of reviews ensures that College policies take account of any changes in legislation
- all policies have been reviewed and approved by the College Directorate
- the Business Continuity Plan has been updated to indicate that it is a group policy and the IT Disaster Recovery Plan fully reviewed in the light of the cyber-attack in June 2019 to include scenarios and contingency procedures in place
- the Student Bursary Policy has been updated with increases in the financial limits

In discussion, members were advised that the IT Disaster Recovery Plan has been fully revised and updated by the College's IT team who have the required skills. There is provision on the internal audit plan for an independent review of the plan.

Members reviewed each of the policies and agreed there were no further amendments required to each of the policies.

Members noted the key impact measures arising from the report, in particular the Risk implications.

Resolved

The Finance and Resources Committee approves and commends to the Corporation Board for approval the following policies:

- **OSC74 – Business Continuity Plan and IT Disaster Recovery Plan**
- **OSC33 – Student Bursary Policy**
- **OSC38 – Fees Policy**
- **OSC39 – Refunds Policy**
- **OSC41 – Subcontractor Fees Policy**
- **OSC07 – IT Equipment Policy for Students**

FRC.21.21 Capital and Revenue Budgets: 2021/22

The Chief Operating Officer presented, for consideration and approval, the annual budget for the College.

The Committee was advised that the budget has been set following

- confirmation of the allocation of income grants by the ESFA
- a review of all income streams
- detailed review of
 - the costed established staff
 - all pay and non-pay costs
 - the 2021/22 curriculum plan

Members noted that the plan includes provision for

- the funded allocation of all the College income streams including 16-18-year-old learners
- the Adult Education Budget Grant, including the carry forward and non-levy procurement Apprenticeships, and the delivery of the Adult Community budget
- a capital investment programme of £500k

Members were advised that the budget setting considered and included where applicable the following:

- Apprenticeships target increased by £568k to £2,577m (28% increase on 2020/21 delivery), which is regarded as an achievable target, taking into account the carry forward and the pipeline for new recruits and with increasing delivery on 'high value' apprenticeships including degree apprenticeships, and the intention to continue to develop the provision at John Ruskin College as a direct offer
- the partnership with Sutton United Football Club will continue to enhance the delivery of the sports curriculum with numbers expected to hold at circa 120 learners
- the base allocation for High Needs students increases from 160 to 171, which results in an increase in this income line of £60k
- Tuition fees and Education contracts income increased by 6%
- an amount of £500k has been included as savings to be identified in the pay costs

Members reviewed the

- Executive summary
- College Budget 2021/22
 - Income and Expenditure account
 - Operating position
 - Exceptional costs
 - Movements on budget draft to final
 - Summary of pay costs
 - Summary of other operating expenses
 - Balance Sheet
 - Cash flow
 - Risks
 - Financial objectives
 - Capital Budget 2021/22

Members discussed the issues raised and, in response to questions, were advised

- a surplus operating position of £73k is proposed
- the total comprehensive income, which includes the release from the revaluation reserve and the financing costs of pensions is (£626k)
- the pension finance costs are estimates as the calculation is dependent on the Government bond rate on 31 July each year
- the budget includes savings to be identified or increased income generation of £500k
- the closing cash balance at July 2022 is forecast to be £8.52m excluding the Advanced Technology Centre project, which is on hold, and any match funding needed for capital funding applications as the outcome for these is not yet known
- the current budget generates 'good' financial health under the current ESFA scoring mechanism
- the Executive, in line with the strategy set by the Corporation, take a proactive and prudent stance to mitigate against the volatility of the FE environment, whilst taking the opportunities presented. The Executive engages with national policy with strong key partnership working with the AoC, local MPs, local employers, local schools, FE Sussex, the LEP, both Surrey and Croydon councils. In addition, the four Surrey colleges collectively have a role to play in challenging changes within and outside these partnerships

Members acknowledged that, whilst the amount of savings to be identified could present a challenge, there were a number of efficiencies coming through that would enable these to be achieved. It was acknowledged that the Covid-19 restrictions have had a significant impact on the College during the year, which has contributed to the deficit position being reported for the current year. A discussion was had around the College's cash reserves being directed towards match funding capital bids and financing College growth plans, so the importance of managing costs and identifying savings was essential. It was accepted that a small surplus position for 2021/22 is inevitable following these challenges.

The Committee noted the key measures arising from the proposals, in particular the Strategic, Financial and Learner implications.

Resolved

The Finance and Resources Committee approves and commends to the Corporation Board the Capital and Revenue Budgets for 2021/22

FRC.22.21 ESFA College Financial Forecast Return (CFFR)

The Chief Operating Officer presented for consideration and approval, details of the CFFR to the ESFA.

Members were advised that

- the College is now required to submit the new CFFR to the ESFA by 31 July 2021, which reports on the 3 year financial plan for the College and replaces the Integrated Financial Model for Colleges
- the CFFR has been prepared on the basis of the forecast outturn for the year ending 2020/21, the budget for 2021/22 and the forecast for 2022/23

- the model generates a financial health category of 'good' and the College agrees with this assessment

It was noted that the College is planning to adopt the document as part of its management accounts reporting enabling the key performance indicators as judged by the ESFA to be easily visible, which will enable governors to raise any concerns promptly.

Members reviewed the document, noting that the monthly analysis of data is outstanding and will be completed before the filing date of 31 July 2021. Work is still progressing on the document and a final version will be presented to the Board in July.

Resolved

The Finance and Resources Committee approves and commends to the Corporation Board for approval the College Financial Forecasting Return to be submitted to the ESFA

FRC.23.21 Higher Education Tuition Fees for 2022/23

The Chief Operating Officer presented, for consideration and approval, a report on fees for all proposed HE provision for 2022/23.

The Committee was informed that

- the College is proposing an inflationary increase in fees of 2% for courses priced at £7,500
- courses priced at £6,165 are at the maximum amount that can be charged
- if the College Group wished to increase the fees (subject to market sensitivity) on these courses the College would need to commit to a % of income as bursary to support students

Members considered the proposals to approve

- fees as listed
- delegation to the Chief Executive and Chair of the Corporation of the application of appropriate discount or increase to the Higher National or Higher Education qualifications where the level of fee is a barrier to recruitment for cohorts of progressing ESC learners.
- delegated authority to the Chief Executive and Chair of the Corporation to amend the fees chargeable in 2022/23 in case of change of circumstance.

Members noted the key impact measures arising from the report, in particular the Strategic, Risk and Learner implications.

Resolved

The Finance and Resources Committee approves and commends for the approval by the Corporation Board

- Fees as listed
- Delegation to the Chief Executive and Chair of the Corporation of the application of appropriate discount or increase to the Higher National or Higher Education qualifications where the level of fee is a barrier to recruitment for cohorts of progressing ESC learners

- Delegated authority to the Chief Executive and Chair of the Corporation to amend the fees chargeable in 2022/23 in case of change of circumstance

FRC.24.21 Terms of Reference and Standing Orders of the Finance and Resources Committee: 2021/22

The Director of Governance presented a report, which outlined the need to review, on an annual basis, the Committee's Terms of Reference and Standing Orders.

Members reviewed the document, noting the minor changes and agreed that there were no further changes necessary.

Members noted the impact measures arising from the report.

Resolved

The Finance and Resources Committee approves and commends to the Board the Terms of Reference and Standing Orders of the Finance and Resources Committee: 2021/22

FRC.25.21 Annual Schedule of Business of the Finance and Resources Committee: 2021/22

The Director of Governance presented a report, which outlined the need to review, on an annual basis, the Committee's Annual Schedule of Business.

Members were advised that the document has been compiled to include the items of business that need to be addressed by each Committee and items for consideration by the Corporation Board. The Finance and Resources Committee are asked to consider the items for business relevant to this committee.

Members reviewed the document and agreed this reflected the business that would need to be conducted by the Committee during the current year.

Members noted the impact measures arising from the report.

Resolved

The Finance and Resources Committee approves and commends to the Board for approval the Annual Schedule of Business of the Finance and Resources Committee: 2021/22

FRC.26.21 Human Resources Report: Summer Term 2021

The Executive Director HR and Professional Development presented, for information, the Human Resources report for the period September 2020 to May 2021.

Members considered the detail of, and discussed issues arising from the report, in particular

- Covid-19
 - the College continues to observe the rules surrounding Covid and the roadmap has been extended until 19 July 2021 in line with government guidance
 - there are no staff on furlough and all those who had been furloughed have returned to College on a staged basis

- Staff Utilisation/Efficiencies
 - a number of JRC staff found to be significantly under their contractual teaching hours have been consulted on and the process concluded successfully, with only one staff member choosing to leave
- Staff turnover
 - the rolling 12 month turnover figure at 31 May 2021 for the College Group has increased since the last report, however when excluding compulsory leavers there has been a decrease
 - there have been less leavers across both colleges than the same time last year, with the majority of staff leaving due to person reasons with the effect of the pandemic on some staff taking the time to consider their life and work choices
- Attendance management
 - attendance across both colleges has increased, which is pleasing and indicates that the College's Covid safety procedures, together with encouraging and facilitating staff and student Covid testing, is maximizing attendance
 - the total cost of sickness at 31 May is significantly higher than last year, which is to be expected due to Covid
- Equality and Diversity
 - the comparisons of the staff profile, student profile and community profile continues with the aim of closely mirroring the local and student populations to ensure a diverse workforce
- Compulsory Online Training
 - Completion of online training remains high

Members reviewed the HR KPI dashboard to 31 May 2021.

Agreed

The Finance and Resources Committee receives and notes the Human Resources Report Summer Term 2021

FRC.27.21 Financial Reporting

The Chief Operating Officer presented, for consideration, the consolidated management accounts for Orbital South Colleges (OSC), for the year to 31 May 2021 and for the year to 30 April 2021.

Members considered the detail of the accounts, and were advised that

- the May accounts forecast a full year operating deficit of (£508k), including interest payable on the loan
- the position is better by £18k from the outturn reported in April 2021 of a deficit of (£518k) and £80k from the outturn reported in March of a deficit of (£598k)
- the College cash balances at month end were £10.1m, a net increase of £596k on April 2021
- Surrey Skills remains a dormant subsidiary of the College
- the College continues to meet its bank covenants
- the Construction Skills Centre at JRC was completed as planned on 6 May 2021 and there have been no further developments since the April accounts were issued
- the College is anticipated to maintain at least 'good' financial health

Members discussed the issues raised and, in response to questions, were advised that

- the net increase in cash is due to payments of £449k being received from local authorities and amounts received from the HE and FE student loan companies
- various payments were made in line with College commitments and the total income from operating activities has a negative YTD variance of (£233k), full year (£843k) predominately due to the savings not having been identified in the pay costs.

It was agreed that the management accounts presented were reflective of the financial position that has continued to be reported.

KPI Dashboard

Members reviewed the KPI Dashboard at April 2021 for Actual against Budget and Actual against the same period for the prior year for

- Tuition Fees
- Employer Engagement Income
- Additional Contract Income
- Staff FTEs
- Staff costs as a percentage of total income
- Cash balance at month end
- Supplier invoice payment days
- 12 month rolling cashflow forecast

ESFA Letter dated 13 May 2021

The Committee received, for information, a letter issued by the ESFA, which confirmed that, following a review of the College's audited financial statements and assurance returns for the year ended July 2020 and the financial record for the years ending July 2020 and July 2021, the assessment grades based on the financial record are

- Outstanding for 2019/20 (the outturn year)
- Outstanding for 2020/21 based on the budget presented (the current budget year)
However, this will drop to 'Good' when the actual outcomes are reported in the financial statements.

A review of the audited financial statements, financial statements management letter and the annual report of the Audit Committee has identified there are no significant financial control concerns.

Agreed

The Finance and Resources Committee agreed to receive and note the

- Consolidated Management accounts for OSC for the period to 31 May 2021 and 30 April 2021
- KPI Dashboard for Finance at April 2021
- ESFA letter dated 13 May 2021 confirming 'outstanding' financial health

FRC.28.21 Health and Safety and Estates Report: Summer Term 2021

The Chief Operating Officer presented, for information, a report, which provided an update on Health and Safety and Estates matters for both Colleges.

Members noted the key issues in the Health and Safety report

- the College Joint Health and Safety Committee met on 9 June 2021
- Covid-19 testing update
 - on site testing finished w/c 12 March and staff and students began using home testing kits
 - no student cases reported between 30 March and 4 May. Since 5 May, eight cases have been reported. The college was contacted by Public Health England (PHE) to advise that 5 students (all at ESC) had tested positive for the Delta variant
- PHE completed a spot check in May to ensure that the College was compliant with Covid-19 measures
- accident statistics for Orbital College Group to May 2021
- there have been no RIDDOR reportable accidents during the period

Members discussed the issues raised and, in response to questions, were advised that

- the students who had tested positive and their contacts were all asked to take the PCR tests and in total 12 tutors and 92 students have been asked to undertake the tests
- following the PHE spot check, the College was found to be fully compliant and received congratulations on the measures in place

Members noted the key issues in the Estates update

- JRC Construction Skills Centre – completion and hand over took place as planned on 6 May 2021
- Gatton Point South Refurbishment – completion and handover took place as scheduled at the end of March, with snagging and de-snagging completed
- ESC Advanced Technology Centre – in order to approve the required transport statement to support the planning application, a travel survey is to be completed but due to the Pandemic and College closure this has not been possible and will be taking place during September 2021
- Surrey County Council Safety roadworks – post completion safety roadworks following 2010 Gatton Point North Building Projects – meetings to establish liabilities taken place in order to discharge cash bond and a non-cash bond are still in negotiation

The Committee noted the key impact measures arising from the report.

Agreed

The Finance and Resources Committee receives and notes the Estates update and Health and Safety Report: Summer Term 2021

FRC.29.21 Any other business
There was no other business.

FRC.30.21 Schedule of meetings: 2021/22
Thursday 23 September 2021
Thursday 25 November 2021
Thursday 3 March 2022
Thursday 23 June 2022

All meetings commence at 6pm

At the conclusion of the Part 1 meeting, members moved into a meeting restricted, in accordance with the requirements of the Instrument and Articles of Government and with Section 22 of the Freedom of Information Act 2000, to the members of the Corporation and to senior members of staff of the College.

SIGNED AS A CORRECT RECORD:

DATE: 23 September 2021

A handwritten signature in blue ink, appearing to read 'D. Hump' followed by a flourish.