

THE CORPORATION OF EAST SURREY COLLEGE

FINANCE AND RESOURCES COMMITTEE

MEETING HELD ON THURSDAY 26 NOVEMBER 2020 VIA MICROSOFT TEAMS

Meeting commenced: 17.00

Meeting ended: 18.30

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

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

Clerk

Sue Glover	Director of Governance
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FRC.42.20 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 interests.

FRC.43.20 Apologies for Absence

There were no apologies for absence.

FRC.44.20 Notification of Any Other Business

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

FRC.45.20 Unconfirmed Minutes of the meeting of the Finance and Resources Committee held on 24 September 2020
The minutes of the meeting were approved and signed as a correct record.

FRC.45.20 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.46.20 Risk Management Autumn Term 2020
The Chief Operating Officer presented, for consideration and approval, a report, which provided an update on the assessments and actions for the risks assigned to the Committee.

Members reviewed each of the identified risks together with the contributory factors, early warning mechanisms, mitigating factors and actions for:

- **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 reduced from ‘fundamental’**

Members considered the detail of the highlighted revisions to each of the risks, noting that

- Risk FR3 has been reduced from ‘red’ to ‘amber’ following strong recruitment over the summer
- the R04 ILR will verify the College funded delivery for 2020/21 and early indications are that, with the partnership with Sutton United Football Club, the allocation will be met or exceeded
- whilst the long term subcontract partners continue to work well, Nottingham Academy of Music is taking up significant resources and the College is actively engaged in resolving issues relating to them

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: Autumn Term 2020 relative to its risk assignments and commends the report for approval by the Corporation Board

FRC.47.20 College Policies and Strategies
The Executive Director HR presented, for consideration and approval, the following:

- Parental Bereavement Leave Policy
- HR Strategy

The Committee was advised that

- The Parental Bereavement Leave Policy is a new policy introduced as a legal requirement
- The HR Strategy has been reviewed and updated as part of the 3 year cycle of the strategy and encompasses the College's merged status

Members reviewed each of the documents and, in discussion, commented whether the College has any concerns in relation to succession planning and were advised there are no concerns at this time, but it was a matter of good practice that this is continually kept under review.

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

Resolved

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

- Parental Bereavement Leave Policy
- HR Strategy

FRC.48.20 East Surrey College Financial Statements 2019/20

The Chief Operating Officer presented, for consideration and approval, the audited Financial Statements for the year ended 31 July 2020.

Members were advised that

- The College generated an operating surplus of £573k, whilst generating a deficit of (£467k), including the pension and financing costs
- The College is expected to receive a clear financial statements and regularity audit report
- The reporting accountant is Buzzacott

Members reviewed the key financial documents, as at 31 July 2020

- Report of the Governing Body
- Statement of Corporate Governance and Internal Control
- Governing Body's Statement on the College's Regularity, Propriety and Compliance with Funding Body Terms and Conditions of Funding
- Statement of Responsibilities of the Members of the Corporation
- Independent Auditor's Report to the Corporation of East Surrey College
- Reporting Accountant's Assurance Report on Regularity
- Statement of Comprehensive Income
- Statement of Changes in Reserves
- Balance Sheet
- Statement of Cash Flow
- Notes to the Financial Statements

It was noted that, although the document is a draft, it is substantially completed and it not anticipated that there would be any material changes to the statements. However, the Governing Body report requires a final review and there are certain notes to the accounts that need to be completed. A revised version will be presented to the Audit Committee when it meets next week.

In discussion, members were advised that the deficit has arisen from the valuation of the LGPS pension liabilities and underlying assumption in costs and actuarial losses are significantly higher, impacted by the valuation of bonds on the stock market. The College reserves stand at £20m for 2019/20, (2018/19 £26m), resulting from LGPS liabilities increasing from £10,707 to £17,494.

It was noted that the College values its net current assets at £5.9m and the cash balance at the end of the year is £9.8m. The College will retain its Financial Health Grade of 'outstanding' for 2019/20.

Members agreed that the result is consistent with the financial picture presented throughout the year.

Resolved

The Finance and Resources Committee approves and commends to the Corporation Board for approval the Financial Statements for ESC for the year ended 31 July 2020

FRC.49.20 Integrated Financial Model for Colleges – cash flow forecast

The Chief Operating Officer presented for information the cash flow position to July 2022.

Members were advised that

- due to the ongoing uncertainties resulting from the impact of Covid19, this has prompted a request from the ESFA for a November return from Colleges
- there is no requirement for governors to approve this and is presented for information
- the Return filed in February remains the binding Return
- the Return is due to be filed with the ESFA by 27 November 2020
- the requirement is to file the Return showing the outturn for the twelve months to 31 October 2021, with the option to roll forward to July 2022
- the College has opted to complete the cash flow to July 2022

The Committee reviewed the draft cash flow, noting that further work is to be undertaken before final submission, and the model presented reflects the worst case scenario.

It was noted that

- a prudent forecast has been made – income and expenditure remain in line with 2020/21, except where negative variances are known
- capital expenditure net of current grants received has been included at £6,869m
- the impact of the assumptions starts to be noticed in January 2022 when the College cash days in hand drop to less than two months, with April 2022 being the lowest at 27 days
- the College targets holding 70 days cash in hand, circa £5m and this is reached in November 2021. The College would ensure the cash balances and commitments to spend were managed sufficiently to enable it to meet its targets

Members were advised that the College aims to adopt the IFMC model as its operational cashflow forecast model allowing the rolling forecasts to be available as a live model.

Agreed

The Finance and Resources Committee agreed to receive and note the report

FRC.50.20 Annual Pay Recommendations 2020/21

The Chief Executive/Principal presented a report, which updated members on the Association of Colleges' (AoC) position and negotiations for 2020/21.

Members were advised that

- In October the AoC confirmed they had received this year's initial pay claim from the joint unions and outlined the timetable for discussion
- The three key elements of the Trade Unions' 2020/21 pay claim were
 - *For a significant move towards the full restoration of College pay levels to where they would be had College pay kept pace with inflation since 2009*
 - *For the living wage, calculated by the Living Wage Foundation, to be the minimum wage in the sector, with all further education Colleges in England becoming accredited living wage employers with the Foundation*
 - *For all contract-out services to be brought back in-house with improvements in terms and conditions equal to those directly employed by the College*
- The Chief Executive/Principal and the Director of HR took part in AoC Pay Claim consultations in November, which are still ongoing to assess the appetite of colleges for an AoC negotiated pay recommendation on behalf of member colleges and to assess views and preferences for local pay bargaining
- The Board has previously sought to follow AoC recommendations in order to ensure a competitive salary to attract and retain good staff

Members were advised that the Chief Operating Officer had been asked to model the following for governors' consideration:

- No pay rise - £0
- 0.5% as currently budgeted, applied to all salaries for all OSC staff (established and sessional staff, dependent on their contract) = £59k
- 1.0% or £250 minimum (FTE) increase applied to all salaries (established and sessional, dependent of their contract) = £124k
- 1.0% increase applied to all salaries excluding £250 minimum (established and sessional, dependent on their contract) = £119k

In response to questions, members were advised that

- the College has to date offered a pay rise throughout the austerity period, based on what was affordable
- for 2020/21 the College has budgeted for 0.5% cost of living pay increase, however this amount is not as favourable to those on the lowest College pay scales hence why an additional modelling has been included above which is more favourable for those on the lowest incomes
- the College benchmarks salaries annually and staff do receive incremental rises as appropriate

- the College pays more than the minimum wage and all staff receive more than the 'living wage'

In discussion, members agreed that the key determining factor on affordability will be the R04 ILR data return, which will be made in early December. The recommendation on affordability would therefore be made available in time for the Corporation meeting on 10 December 2020, by which time the AoC recommendation will also be known.

Agreed

The Finance and Resources Committee agreed that a recommendation on affordability of a pay award to staff would be made to the Corporation Board on 10 December after the outcome of the R04 ILR data return and the AoC recommendation are known

FRC.51.20 Annual Report of the Finance and Resources Committee: 2019/20

The Director of Governance presented, for consideration and approval, the Annual Report of the Finance and Resources Committee.

The Committee was advised that the annual review of the work of the Committee is essential in ensuring that the areas of strategic responsibilities which have been delegated to the Committee by the Board are being properly addressed.

Members noted that the Annual Report gives all members of the Board the opportunity to review the work undertaken by the Committee on behalf of the Board throughout the year.

Members considered and approved the key conclusions arising from the report.

Members noted the key impact measures arising from the report.

Resolved

The Finance and Resources Committee approves the Annual Report of the Finance and Resources Committee: 2019/20 and commends the Report to the Corporation Board.

FRC.52.20 Human Resources Report: Autumn Term 2020

The Executive Director HR and Professional Development presented, for information, a report to update governors on human resources activity at Orbital South Colleges (OBC), including both East Surrey College (ESC) and John Ruskin College (JRC) for the academic year 2020/21 (1 September to 30 October 2020).

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

- Staff Utilisation/Efficiencies
 - in line with current national lockdown, both Colleges have remained opened providing students with onsite and remote learning
 - there is currently no College staff on Furlough
 - a key task is to review curriculum staff utilization against their contractual hours to ensure they are fully and appropriately utilised

- teaching hours for TUPE staff at JRC and their current terms and conditions are being reviewed against ESC staff and overall financial impact
- Staff turnover
 - the updated AoC benchmark for 2018/19 has been delayed due to Covid-19, but the full turnover figure for 2019/20 is below the AoC benchmark for 2017/18 and the expectation is that it will continue to remain below the benchmark
- Attendance management
 - the AoC College Workforce Survey 2019, which will highlight the 2018/19 national average attendance, was not yet available, but attendance, excluding long term sickness, is pleasingly 1.26% over the College's KPI of 97% attendance
- Equality and Diversity
 - As with previous years, analysis of the trends in the profile of staff continues with the aim of closely mirroring as much as possible the local and student populations to ensure a diverse workforce
- Continuous Professional Development (CPD)
 - a significant amount of CPD continues to take place to ensure that staff remain highly skilled and knowledgeable to provide excellence in their roles

Members reviewed the HR and CPD KPI dashboard as at 31 October 2020.

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

Agreed

The Finance and Resources Committee receives and notes Human Resources Report: Autumn Term 2020.

FRC.53.20 Financial Reporting

The Chief Operating Officer presented, for consideration, a report detailing

- Management Accounts to 31 October 2020 for
 - Orbital South Colleges
 - East Surrey College
 - John Ruskin College

Members considered the detail of the accounts, noting:

- the College made a successful start with enrolments in September with all the Covid measures in place and the 50:50 model of student attendance is now fully in operation
- a new opportunity for partnership with Sutton United Football Club is being developed and it is currently anticipated to be 127 on a full time 16-18 study programme with a start date in September. The aim is to manage costs and achieve the College gross margin of 55% in line with other College departments
- the partnership with NSS on the Level 2 and 3 after initial issues is starting to embed. This provision is anticipated to deliver on the AEB budget resulting in a reduction in subcontracting costs

- the College continues to identify other bid funding, such as youth hubs, supported by DWP funding and opportunities in development traineeships, with the challenge to ensure that costs are controlled and margins generated
- the Corporation approved a budget in July 2020, forecasting a small surplus of £88k, which include savings to be identified of £1.2m and actions are being undertaken to identify savings across all College operations with all departments being given a savings target across their pay and non pay budget lines
- the College's financial health as calculated by the funding agency methodology remains 'Outstanding'.

Members discussed the issues raised and agreed that the College has had a challenging start with the complete overhaul of its enrolment processes, but the current view for 2020/21 remains that there are significant ongoing challenges, including student retention for the 16-18 income stream and achieving delivery of the AEB income stream together with the achievement of the College's £1.2m savings to ensure financial objectives are met.

Members reviewed the KPI Dashboard at October 2020 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

Agreed

The Finance and Resources Committee receives and notes

- Management accounts to 31 October 2020 for
 - Orbital South Colleges
 - East Surrey College
 - John Ruskin College
- KPI Finance Dashboard at October 2020

FRC.54.20 Health and Safety and Estates Report: Autumn Term 2020

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

Members noted the key issues in the Health and Safety report

- The College Group joint Health and Safety Committee held a meeting via Teams on 11 June 2020 where a number of Covid-19 policy documents and procedures were approved:
 - Covid-19 statement
 - Updated Health & Safety Policy
 - First aid risk assessment
 - Safe working practice guidance

- A number of generic risk assessments were updated to include risk or Covid-19 to ensure consideration is undertaken for
 - Classroom design and layout
 - Staff and students following hygiene and handwashing rules
 - Shared workspaces, machinery, equipment
 - Cleaning regimes
- A rolling programme of First Aiders and Fire Marshall training is in place to ensure all updates are current and new staff are trained in a timely fashion
- Accident statistics for Orbital College Group to November 2020
- there have been no RIDDOR reportable incidents processed this term

Members noted the key issues in the Estates update

- Capital projects
 - John Ruskin Construction Skills Centre – planning application for the second phase is approved and the programme is on target for 6 May completion and handover
 - East Surrey Advanced Technology Centre
 - the appointed transport consultant has produced the required transport statement to support the consideration of the Planning Application and will be shared with the LPA for review prior to the December committee meeting
 - Design work for RIBA work stage 4 now completed
- Surrey County Council Safety roadworks – post completion safety roadworks following 2010 Gatton Point North Building Projects – there has still been no indication on the start dates for these works
- There have been various leaks at Gatton Point North and the rolling programme of maintenance is under review. Wates have been informed and are sending a team to site in November to inspect the area and discuss findings
- Contracts for Cleaning, Catering, multi-function devices across college are now in place

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: Autumn Term 2020

FRC.55.20 Annual Review of the Business of the Finance and Resources Committee: 2019/20

The Director of Governance presented, for information, a report, which provided a review of the Action Points arising from the meetings of the Committee during 2019/20.

Members were reminded that, following each meeting of the Committee, a list of Action Points arising from the meeting is drawn-up and, at the next meeting, the list is reviewed in order to ensure that the appropriate action has been or is being taken.

The Committee was advised that the purpose of the report was to ensure that appropriate progress has been made against each of the identified actions required by the Committee.

Members agreed that all Action Points had been fully addressed to the satisfaction of the Committee.

Agreed

The Finance and Resources Committee receives and notes the report.

FRC.56.20 Any other business

There was no other business.

FRC.57.20 Schedule of meetings: 2020/21

Thursday 4 March 2021

Thursday 24 June 2021

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: 4 March 2021

A handwritten signature in purple ink, appearing to read 'Dempster', is written over the signature line.