

**THE CORPORATION OF EAST SURREY COLLEGE
FINANCE AND RESOURCES COMMITTEE**

MEETING HELD ON THURSDAY 2 MARCH 2017

Meeting commenced: 18.05
Meeting ended: 20.10

PRESENT

Mr Andrew Baird	Independent Member	
Mrs Jayne Dickinson	Principal and Chief Executive	
Mr Ray Elgy	Independent Member	Chair
Mrs Isobel Wallace	Independent Member	

IN ATTENDANCE

Mrs Jyoti Baker	Vice Principal: Finance and Resources
Mr Kevin Standish	Deputy Principal: Curriculum and Standards
Ms Mitzi Gibson	Director of HR and Professional Development

CLERK

Mrs Sue Glover	Clerk to the Corporation
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FRC.01.17 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.

FRC.02.17 APOLOGIES FOR ABSENCE

There were no apologies for absence.

FRC.03.17 NOTIFICATION OF ANY OTHER BUSINESS

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

FRC.04.17 UNCONFIRMED MINUTES OF THE MEETING OF THE FINANCE AND RESOURCES COMMITTEE HELD ON 24 NOVEMBER 2016

The minutes of the meeting were approved and signed as a correct record, subject to minor amendments as discussed.

FRC.05.17 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.06.17 RISK MANAGEMENT: SPRING TERM 2017

The Vice Principal: Finance and Resources presented, for consideration and approval, a report, which provided an update on the assessments and actions for the risks assigned to the Committee.

Members were advised of any key changes – and the contributory reasons for the changes - to the identified risks assigned to the Committee:

- **Risk S11 'Failure to maintain 'good' financial health':** 'Fundamental' risk – no change
- **Risk S4 'Failure to achieve income targets':** 'Fundamental' risk – no change
- **Risk O2 'Severe IT failure':** 'Significant' risk– no change
- **Risk S8 'Poor alignment of strategic planning and financial planning':** 'Significant' risk – no change
- **Risk S6 'Inability to attract/retain and develop staff with the required mix of skills':** 'Significant' risk – no change
- **Risk F3 'Exposure through relationships/partnerships with other providers/institutions':** 'Significant' risk – no change
- **Risk S12 'Failure to deliver property strategy':** 'Significant' risk – no change
- **Risk C1 'Serious breach of Health and Safety legislation':** 'Significant' risk – no change
- **Risk C2 'Serious breaches of legislation':** "Minor' risk – no change

Members were advised that each of the contributory factors, early warning mechanisms, mitigating factors and actions against monitoring them have been updated for each risk.

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

- There is a change to the summary sheet to include the addition of a 'responsibility' column and a change to the corresponding column in the detail risk summary to 'operational responsibility' giving clarity to the lead responsibility
- There are currently no high level risks attributable to Risks C1, S6 and C2
- There have been no changes to the risk ratings of the strategic risks or the underlying operational risks
- Risk S4 'Failure to achieve income targets' incorporates both 16-18 and 19+ Income targets which were previously two separate risks
- A new risk has been added under Risk S11 'Failure to Maintain Good Financial Health' relating to the failure to manage the activities and exercise effective control of the College Subsidiary. The risk is currently rated 'green' as the Company has not yet started trading.

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: Spring Term 2017 relative to its risk assignments and commends the report for approval by the Corporation Board

FRC.07.17 COLLEGE POLICIES

The Director of HR and Professional Development presented, for consideration and approval, the following College policies:

- **ESC 30 Capability Policy**
- **ESC 32 Disciplinary Policy**
- **ESC 33 Grievance Policy**
- **ESC 26 Continuing Professional Development Policy**

The Committee was advised that

- a regular cycle of reviews ensures that College policies take account of any changes in legislation
- the policies have been reviewed and approved by the College Directorate
- minor changes proposed to previously approved policies are required to keep them updated regularly

Members reviewed each of the policies and agreed with the proposed amendments.

The Vice Principal: Finance and Resources presented, for consideration and approval the following policy

- **ESC 45 Fees Policy**

Members were advised that this policy, which was previously referred to as the College Fees and Course Costing Policy, has been revised in accordance with funding agency guidelines.

Members suggested that perhaps a framework of the course fees could be provided on the website, but were advised that this would be difficult to achieve due to the complexities relating to the funding involved.

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

- **ESC 30 Capability Policy**
- **ESC 32 Disciplinary Policy**
- **ESC 33 Grievance Policy**
- **ESC 26 Continuing Professional Development Policy**
- **ESC 45 Fees Policy**

FRC.08.17 SUBSIDIARY COMPANY

The Vice Principal: Finance and Resources presented a report to formally note the formation of a subsidiary company, Surrey Skills Limited (SSL), and to consider for approval the principles of the formal Articles of Association for SSL.

Members were reminded that the Corporation had approved the formation of SSL at the meeting held on 26 January 2017 and asked that this action is formally noted by the Committee at its next meeting and for the Committee to continue to monitor the activities of the Company.

Members were advised that

- The rationale for forming a subsidiary company is that the College needs a commercial presence in the market, to enable effective competition in the commercial markets that are developing with the introduction of the Apprenticeship Levy
- The funding rules state that for a Company to be eligible to undertake contracts it has to have been incorporated at least 4 months prior to bidding for contracts, with the introduction of the Apprenticeship Levy in April, it was advisable for the Company to be incorporated at the earliest opportunity
- SSL is not expected to undertake any significant activity until August 2017 at the earliest. However, this is dependent on the customers the college contracts with

- Mrs Jyoti Baker was named Director and the Clerk, Mrs Sue Glover, was named as the Company Secretary at Incorporation
- In addition, SSL will have the additional input of senior level professional expertise and scrutiny in the form of Directors of SLL and two members, Ms Rosemary French and Mr Patrick Waller, have been approached and agreed to become Directors. The Committee is asked to agree their appointments. Other members of the Governing body or the College Directorate team can be appointed to the board as the direction and the skills needed at board level are more clearly identified

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

- SSL is a wholly owned subsidiary of the College, with East Surrey College being the PSI (Person of Significant Influence), the sole shareholder of the Company
- The control and responsibility for the financial and commercial health of SSL ultimately rests with the College as the parent
- There are no pension implications as any staff who would need to be involved would be seconded to the Company from the College as and when required

Members reviewed the detail of the proposed Articles of Association for SSL, noting that SSL has currently been formed under the standard Company Articles available from Companies House and the additional clauses highlighted give legal substance to the clauses already discussed in the meeting. The principles of the proposed Articles of Association were agreed and it was also agreed that they should be submitted to lawyers for further review.

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

RESOLVED

The Finance and Resources Committee

- Formally notes the formation of Surrey Skills Limited
- Agrees the appointment of Ms Rosemary French and Mr Patrick Waller as Directors of SSL
- Approves the principles of the Articles of Association of SSL for review by lawyers and upon receipt of a response from lawyers commends to the Corporation Board for approval and acceptance

FRC.09.17 ANNUAL SCHEDULE OF MEETINGS OF THE CORPORATION BOARD AND COMMITTEES: 2017/2018

The Clerk to the Corporation presented, for consideration and approval, the Annual Schedule of Meetings of the Corporation Board and Committees: 2017/2018.

The Committee was advised that the schedule reflected that of the current and previous years.

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

RESOLVED

The Finance and Resources Committee approves and commends to the Corporation Board the Annual Schedule of Meetings of the Corporation Board and Committees: 2017/2018

FRC.10.16 HUMAN RESOURCES REPORT: SPRING TERM 2017

The Director of HR and Professional Development presented, for information, the Human Resources Report for the period September 2016 to January 2017.

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

- Staff Utilisation/Efficiencies
 - staff utilisation continues to be a focus for the Executive team to ensure that established staff hours are fully utilised
- Staff Turnover
 - College turnover is expected to remain under the current AoC benchmark
- Attendance Management
 - the rolling attendance figure including long term sickness is slightly lower than the AoC average of 96.8% (2014/15 benchmark)
- Equality and Diversity
 - The analysis of the trends in the profile of staff continues with the aim of closely mirroring as far as possible the local and student populations
- Continuous Professional Development (CPD)
 - completion of online training modules by established staff remains high
 - there has been a consistent increase in the completion rates for the online Prevent training
- the Conference Day for staff in December was well received with a number of training initiatives delivered
- Kitemarks – two new kitemarks are now in place
 - Mindful Employer – commitment to supporting mental wellbeing at work
 - Tommy's – pregnancy charity offering a pregnancy work programme to provide advice and support to pregnant employees and their managers
- Legislation Update
 - Trade Union Act: important public services
 - Apprenticeship levy
 - Gender pay gap reporting: data snapshot
 - National Minimum Wage

Members reviewed the HR KPI dashboard to 31 January 2017.

AGREED

The Finance and Resources Committee receives and notes the Human Resources Report: Spring Term 2017.

FRC.11.17 MANAGEMENT ACCOUNTS FOR THE PERIOD TO 31 JANUARY 2017 AND UPDATE ON COLLEGE FINANCIAL ARRANGEMENTS

The Chair of the Committee advised members that he had agreed with the Vice Principal: Finance and Resources that the KPI Dashboard for Finance, under item 15, would be reviewed in conjunction with the management accounts, as it would be more relevant.

The Vice Principal: Finance and Resources presented, for information, the Management Accounts for the period to 31 January 2017 together with the KPI Dashboard for Finance.

Members considered the detail of the accounts, noting:

- Although pressures have been identified in the full year forecast, current indications are that the savings identified and actions taken to manage pressures will ensure that the forecast outturn of £145k surplus is achieved
- Although the EFA income indicates there is a shortfall in the student number target, the College is exceeding its delivery on its financial allocation due to an increased number of students on its full time (540+hours) programme
- The College has fully met its allocation of high needs learners and is in the process of finalising delivery with the County Councils. The forecast budget will be revised for this income stream to show a positive variance
- The SFA Adult Education Budget is currently forecast to underachieve by £97k, due primarily to circa £80k worth of provision funded by the SFA now falling within the advanced learner loans category. The College is looking for a potential partner to deliver additional learning to complement courses in priority areas and is also reviewing its offer to deliver additional in house provision, especially on ACL courses. This is not yet reflected in the management accounts
- Having recognised the expected full year pay savings and the reduction in pay costs, the January year to date variance continues to reflect an underspend to budget of £263k
- Non pay costs are currently under budget
- The cash balance at 31 January 2017 is £4,670k and is forecast to outturn at £3,932k on 31 July 2017

Members reviewed the KPI Dashboard 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
- Staff costs as a percentage of total income excluding subcontract
- Cash balance at month end
- Supplier invoice payment days

The Committee noted the impact measures arising from the report, in particular the Strategic and Risk implications. It was agreed that it had been useful to review the KPI Dashboard in connection with the management accounts and this would continue for future meetings.

RESOLVED

The Finance and Resources Committee receives and notes the Management Accounts for the Period to 31 January 2017 and the Finance KPI Dashboard for period 6.

FRC.12.17 REVISION TO BANK COVENANTS

The Vice Principal: Finance and Resources presented, for consideration and approval, details of revised bank covenants for the College.

Members were reminded that at the meeting held on 22 September 2016, it was agreed the principles of the Bank Covenants 1a and 2a are further investigated with the Bank with final details being submitted to the next meeting. As these were not available for the November meeting it was agreed that these would be considered at the meeting in March 2017.

Members were presented with the Indicative Financial Covenant Terms for East Surrey College setting out the detail of the two revised covenants:

1a Debt Service Cover Covenant – available cashflow for each Relevant Period shall be no less than 100% of its Debt Servicing Costs for such Relevant Period

2a Operational Leverage Covenant – the ratio of Borrowings at the end of each Relevant Period to Adjusted Operating Surplus for such Relevant Period shall not exceed 8:1.

The Letter of Variation was also reviewed and the charge of £800 + VAT in drawing this up was noted.

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

- The College's Relationship Manager at Barclays Bank will approach the credit team with the proposals and if agreed a legal agreement will be issued stating the restated covenants and presented to the Committee at the next meeting in June
- No issues are expected
- There is a fixed rate of interest

RESOLVED

The Finance and Resources Committee approves and recommends to the Corporation Board for approval the acceptance of revised bank covenants, 1a and 2a

FRC.13.17 UPDATE ON INSOLVENCY LEGISLATION

The Vice Principal: Finance and Resources, advised the Committee that there is nothing further to advise at this time on the progress of the Insolvency Regime being considered by Government relating to FE Colleges.

FRC.14.17 OVERVIEW OF FINANCIAL CONSIDERATIONS IMPACTING BUDGETS FOR 2017/18 AND BEYOND

The Vice Principal: Finance and Resources presented, for information, a report detailing some of the considerations that will have a significant impact on the College's budgets and operations for the next three-year planning cycle and highlighting the risks associated with the various income streams.

Members were advised that

- Although the funding agencies have released guidelines on the funding rules and contracts for 2017/18 no estimates are yet available
- Income EFA – no change to rates and policies on the principal of £4,000 drawdown per student. However, the disadvantage funding allocation is based on more recent data
- There is no indication yet of an adjustment to the Adult Education Budget, which now includes Community Learning. However, the introduction of the Levy brings a significant risk to this funding stream
- There are various cost pressures building into the 2017/18 budget, such as
 - Increases to pay costs resulting from changes to NI and pensions with the TPS
 - Increases in business rates of 11% from £100k to £132k
 - General increases in costs due to inflationary pressures
 - Subcontractor fees will increase in line with the student numbers with ACM

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

- The budget setting process is underway with curriculum planning in the last stages
- The 2017/18 budget will be presented to the Committee at the June meeting
- A significant element of information is still under negotiation with the SFA and other elements are being worked through

Members agreed that it had been a useful document, which had given some advance information relating to issues that could affect College operations.

AGREED

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

FRC.15.17 HEALTH AND SAFETY REPORT: SPRING TERM 2017

The Vice Principal: Finance and Resources presented, for information, the Health and Safety Report: Spring Term 2017.

Members noted salient issues raised in the report

- the accident statistics continue to show a consistent and encouraging picture
- 1 RIDDOR reportable incident occurred during the year
- a range of training events have been held
- a rolling programme of workshop checks is being carried out to ensure they remain safe learning and working environments
- fire drills for both campuses took place during the term
- the Head of Facilities and Deputy Facilities Manager hold IOSH qualifications and are booked for NEBOSH training in March and May 2017

Members reviewed the accident statistics log attached to the report.

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

AGREED

The Finance and Resources Committee receives and notes the report.

FRC.16.17 ESTATES UPDATE

The Vice Principal: Finance and Resources presented, for information, a report updating members on the College Estate.

Members were advised that

- Whilst the Gatton Point building remains of the highest quality, it is now 6 years old and the maintenance of the estate is taking up resources with some of the significant works carried out under the building guarantees are to
 - Scobatherm panels
 - Winter Garden
- The planned maintenance schedule will inform the capital programme and are likely to include
 - Lagging on the air handling unit on the roof
 - Re-roping of E-block lift
 - Remedial repairs to the main boilers
 - Possible underpinning of a rear wall and brickwork to the rear corner at Gatton Point South

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

AGREED

The Finance and Resources Committee receives and notes the report.

FRC.17.17

SHARED SERVICES IN SURREY AND SUSSEX COLLEGES (SISSC)

The Vice Principal: Finance and Resources presented, for information, a report updating members on the latest position with SISSC together with the SISSC update for ESC Governors Number 15, dated 15 February 2017

Members were advised that

- As a result of discussions during their area-based review, the Sussex Colleges successfully bid for a Transition Grant to commission an independent organisation to perform a review of the SISSC system
- Grant Thornton were appointed and, following their review, recognised that significant work needed to be undertaken to make the systems fully functional and presented three future scenarios in their report:
 - Future Scenario 1: SISSC College separation
 - Future Scenario 2: three options:
 - i. Create a new SISSC Shared Service Centre from the current set up
 - ii. Separate Surrey and Sussex solution
 - iii. Integrate with other out of area shared service operation
 - Future Scenario 3: Outsourcing – Onshore
- All the SISSC Sussex Colleges are involved in merger or federation discussions and not all with other SISSC Colleges
- There is recognition that the current system would need to be re-engineered to make it fit for purpose under these new circumstances
- UNIT4 have been asked to provide costings for the various options available to the Colleges and, although received, there are still significant questions to be answered and implications understood

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

- A definitive list of the requirements from the system has been drawn up by the College
- UNIT4 have been asked to supply costings relative to the separation of the Colleges as there is an intention to wind up SISSC in July

It was agreed that the Executive should continue discussions with UNIT4 to fully evaluate the various options and other systems should also be considered. A report detailing proposals would be presented to the next meeting in June for consideration to enable recommendations to be made to the Corporation.

AGREED

The Finance and Resources Committee agreed to

- receive and note the report
- discussions continuing with UNIT4 to fully evaluate the various options available and other systems to also be considered
- a report detailing proposals to be presented to the next meeting in June for consideration to enable recommendations to be made to the Corporation

FRC.18.17 ANY OTHER BUSINESS
There was no other business.

FRC.19.17 SCHEDULE OF MEETINGS: 2016/2017
Thursday 22 June 2017 commencing at 18.00

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:

A handwritten signature in black ink, appearing to read 'R. O. Edgy', is written over the signature line.

DATE: 22 June 2017