

PRESENT

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| 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

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| Mrs Jyoti Baker | Vice Principal: Finance and Resources |
| Ms Mitzi Gibson | Director of HR and Professional Development |

APOLOGIES FOR ABSENCE

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| Mr Kevin Standish | Deputy Principal: Curriculum and Standards |
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CLERK

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| Mrs Sue Glover | Clerk to the Corporation |
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FRC.20.17 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.21.17 APOLOGIES FOR ABSENCE

Apologies were received from

Mr Kevin Standish - business commitments

The Committee agreed to accept the apologies for absence.

FRC.22.17 NOTIFICATION OF ANY OTHER BUSINESS

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

FRC.23.17 UNCONFIRMED MINUTES OF THE MEETING OF THE FINANCE AND RESOURCES COMMITTEE HELD ON 2 MARCH 2017

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

FRC.24.17 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.

It was noted that the Articles of Association for SSL will be reviewed by lawyers later in the year and presented to the Committee when available. An update on the Insolvency Legislation will be given when information is available.

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

FRC.25.17 RISK MANAGEMENT: SUMMER TERM 2017

The Vice Principal: Finance and Resources presented, for consideration and approval, a report which provided an update of the high level risk assessments and actions for each of 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 S8 'Poor alignment of strategic planning and financial planning':** 'Significant' risk – no change
- **Risk O2 'Severe IT failure':** '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 on capital investment':** 'Significant' risk – no change
- **Risk C1 'Serious breaches 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 risks, noting that

- Risk C2 'Serious Breach of Legislation' has increased from Green to Amber with the underlying operational risk 1 changing from an Amber to Red due to the General Data Protection legislation being introduced from 28 May 2018 regarding how organisations store, manage and access personal data. It was noted that the College is undertaking a review of the impact, and that initial considerations indicate a wide ranging change may be required to the various College documentation
- There are no other changes to strategic risks. However, a Red operational risk has been added under Risk F3 'Exposure through relationships/partnerships with other providers/institutions' as the relationship with the University of Brighton is due to end in 2018 and conversations are being held with other Universities the College could potentially partner with

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 2017 relative to its risk assignments and commends the report for approval by the Corporation Board.

FRC.26.17 COLLEGE POLICIES

The following College policies were presented for consideration and approval:

- ESC 16 Adoption Leave Policy**
- ESC 35 Maternity Leave Policy**
- ESC 36 Parental Leave Policy**
- ESC 79 Shared Parental Leave Policy**
- ESC 39 Paternity Leave Policy**
- ESC 57 Sub-contractor Fees 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

In addition, in response to a question from a Member, the Committee was advised that the policies above regarding leave are working well for staff and the College.

Members reviewed each of the policies noting that there were no changes required. The Committee approved the policies for further consideration and approval by the Corporation Board.

RESOLVED

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

- ESC 16 Adoption Leave Policy**
- ESC 35 Maternity Leave Policy**
- ESC 36 Parental Leave Policy**
- ESC 79 Shared Parental Leave Policy**
- ESC 39 Paternity Leave Policy**
- ESC 57 Sub-contractor Fees Policy**

FRC.27.17 EAST SURREY COLLEGE CAPITAL AND REVENUE BUDGETS: 2017/2018

The Vice Principal: Finance and Resources presented, for consideration and approval, the annual budget for the College.

The Committee was advised that the budget has been set

- following confirmation contracts from the Skills Funding Agency (SFA) and the Education Funding Agency (EFA), now the ESFA
- following a review of all income streams
- based on 2017/2018 curriculum plan
- following detailed review of the costed established staff
- following detailed review of all pay and non-pay costs

Members noted that the plan includes

- provision for 1693 16-18 year old learners plus an additional growth case for 170 potential ACM students (for which the College has received assurance provided a base number of the College's own numbers are achieved)
- provision for all of the Adult Education Budget Grant, including 19+ Apprentices and the delivery of Adult Community Learning
- a capital investment programme of £400k

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

- the main grant income as per allocation
- Apprenticeships of circa £300K (33% increase on 16/17 delivery), which is a prudent estimate, taking into account the pipeline for new recruits, the risks associated with the contractual arrangements and College resources in place for delivery
- Increase in the base allocation for High Needs students from 85 to 106 has resulted in an increase in this income of £126k, neutral impact anticipated as will result in a reduced claim to the local authority
- Fee income increased by £85k (5%) to reflect actual increase in 2016/17 and in line with plans to introduce a new offer of online learning courses
- Other income – the College has introduced for the first time a budget of £50k for the letting of College premises
- The budget assumes a pay award not exceeding 2% (2016/17 – 0.3%)

Members reviewed:

- Executive Summary
- College Budget 2017/18
 - Income & Expenditure account 2017/18
 - Forecast Balance Sheet 2017/18
 - Cash Flow 2017/18
 - Risks
 - Financial objectives
 - Capital Budget 2017/18
 - Conclusion
- Appendix A - Detailed Income and Expenditure tables
 - Summary of Income
 - Summary of Pay Costs
 - Summary of Other Operating Expenses
- Appendix B – Business Plan for the development of a welding/fabrication programme

Members also reviewed the number of accepted student offers for 2017/18 as at 18 June 2017, noting an increase of student numbers on both the new and progressing learners.

In response to questions from members, the Committee was informed that

- An operating surplus of £45k is planned, £121k including releases from the revaluation reserve and pension adjustments
- the closing cash balance is forecast to be £4.3m, which will generate 'Outstanding' financial health under the current SFA scoring mechanism. The College self-assesses as 'Good'
- the challenging income levels and the need to achieve the value for money requirement may change the nature and the cost of delivery in some curriculum areas
- the College Directorate is taking a highly proactive stance to mitigate against the significant risks and changes in national policy with strong key partnership working with the AOC, AOSEC, local MPs, local employers, local schools, FE Sussex and GFE South member colleges, the LEP and 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
- the basis for such changes might be consequent on poor retention figures leading to reduction in SFA and EFA funding
- close monitoring and review of pay costs will continue

The Committee noted the key impact 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 East Surrey College Capital and Revenue Budgets: 2017/2018.

FRC.28.17 FINANCIAL FORECASTS: 2017 - 2019

The Vice Principal: Finance and Resources presented, for consideration and approval, the three year financial forecast for 2017 - 2019.

Members considered the detail of the document, with particular reference to:

- Schedule 1: Assumptions
- Schedule 2: Financial health grade (new methodology)
- Schedule 2a: Financial health grade (old methodology)
- Schedule 3: Statement of comprehensive income
- Schedule 4: Balance Sheet
- Schedule 5: Statement of cash flows
- Schedule 3a: Analysis of income
- Schedule 3b: Analysis of SFA and EFA Income
- Schedule 3d: Analysis of staff costs
- Schedule 3e: Analysis of non-pay expenditure
- Schedule 4a: Tangible fixed assets
- Schedule 4b: Investments and intangible fixed assets
- Schedule 4f: Provisions and FRS 102 (28) adjustments

In response to questions from members, the Committee was advised

- the current forecasts show a scenario of 'Good' financial health
- a budget surplus of £121k is planned for in 2017/18 including £76k of releases from Revaluation Reserve
- the 2017/18 budget reflects the grant income reduction following on from fewer EFA funded students in 2016/17. The EFA allocation has been reduced by 68 learners, however the College has the commitment from the ESFA on an in year growth case of 170 students for ACM, as explained in the budget papers
- a pay award not exceeding 2% has been allowed for in 2017/18 and not exceeding 1% in 2018/19
- the College aims to maintain 'Good' financial health and there are risks to the bank covenants if deficits start to be budgeted

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

RESOLVED

The Finance and Resources Committee approves and commends to the Corporation Board the Three Year Financial Forecasts: 2017 - 2019.

FRC.29.17 HIGHER EDUCATION TUITION FEES: 2018/2019

The Vice Principal: Finance and Resources presented, for consideration and approval, a report on fees for all proposed HE provision for 2018/2019.

The Committee was informed of the background to the report, in particular

- all full time and part time students will have access to the Student Loans Company for assistance with fees

- the College is considering applying for an Access Agreement. The timelines for application are under consideration and there may be a case for the College to raise fees above £6,000. However, the case cannot yet be made and hence the maximum fees have been maintained at £6,000
- the College receives circa £100k of teaching funds per annum. These are as yet unknown for 2018/19. However, they may form the basis for the provision of some HE bursaries

Members considered the proposals to approve

- listed fees as stated by HEFCE and the SFA
- delegation to the Principal and the Chair of the Corporation of the application of appropriate discount to the Higher National qualifications where the level of fee is a barrier to recruitment for cohorts of progressing ESC learners
- to approve delegated authority to the Principal and Chair of the Corporation to amend the fees chargeable in 2018/19 in case of change of circumstances

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 of the Corporation Board

- listed fees as stated by HEFCE and the SFA
- delegation to the Principal and the Chair of the Corporation of the application of appropriate discount to the Higher National qualifications where the level of fee is a barrier to recruitment for cohorts of progressing ESC learners
- delegated authority to the Principal and Chair of the Corporation to amend the fees chargeable in 2018/19 in case of change of circumstances

FRC.30.17 UPDATE TO BANK SIGNATORIES

The Vice Principal: Finance and Resources presented, for consideration and approval, a report relating to amendments to College bank signatories in accordance with Financial Regulation 14.3 Banking Arrangements.

Members were advised of the following changes required to the list of authorised signatories to the National Westminster Current Account:

- removal of recent finance staff leavers at the College
- addition of new finance staff and Chair of the Corporation

RESOLVED

The Finance and Resources Committee approves and commends to the Board for approval amendments to the College bank signatories in accordance with Financial Regulation 14.3 Banking Arrangements

FRC.31.17 TREASURY MANAGEMENT/INVESTMENT INCOME

The Vice Principal: Finance and Resources presented, for consideration and approval, a report detailing the potential to invest the College's surplus cash to earn a better return, both through the utilisation of fixed term cash investments and by investing with banks that offer more competitive rates on those deposits than the College's current banking partner, NatWest.

Members were advised that

- the cut of the official borrowing rate (the 'base' rate) by the Bank of England in August 2016 has had a negative impact on the interest rate available to businesses on their surplus cash balances

- against the backdrop of a worsening environment for savers in general, the College has seen the interest generated on overnight deposits eroded to just 0.01% in recent months
- the impact of this has been a reduction in investment income from £11k (2015/16) to £7.5k (projected for 2016/17). On current arrangements, the projected income for the 2017/18 year is £4k
- a wide range of banking providers have been researched and the three most favourable were presented for review
 - NatWest (current provider)
 - Lloyds Bank
 - Aldermore
- The Treasury Management policy states that the Finance and Resources Committee are required to approve the use of any additional financial institutions. The Committee then delegates to the Principal and Chief Executive (or their nominee), the power to place deposits in the College's name at approved institutions. The Vice Principal: Finance and Resources (or nominee) controls the day to day management of the treasury function, liaising with the Principal and the College's financial advisors in relation to strategy and market conditions

Members reviewed each of the options and the main risks to the proposed strategy of phased term deposits, and, in response to questions, were advised that

- Lloyds Bank and Aldermore offer significantly better returns
- Based on the risk assessment, the risk would be the same or lower risk as the College's current provider, NatWest
- This proposal is presented with the objectives of the Treasury Management Policy in mind, namely that
 - Sufficient sums are available at short or no notice to meet foreseeable requirements
 - An acceptable rate of return on surplus funds without undue risk
 - Any risk is spread between differing investments and institutions

Members reviewed the Treasury Management policy, noting the relevant changes.

In discussion, members agreed that it would be sensible to open accounts with both Lloyds Bank and Aldermore to allow the College to leverage surplus cash in order to return more investment income in an extremely challenging fiscal environment. However, a ceiling is to be imposed on investments in Aldermore of £1m, or 50% of total investment, whichever is the greater. The performance of both accounts will be reported through the Management Accounts

RESOLVED

The Finance and Resources Committee approves and commends to the Corporation Board

- That accounts are opened with both Lloyds Bank and Aldermore
- The Treasury Management policy, as amended

FRC.32.17

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, these were considered at the meeting held on 2 March 2017 when the revised bank covenants, 1a and 2a were accepted and recommended to the Corporation Board for approval once the final legal agreement is issued stating the restated covenants.

Members reviewed 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 for each of the two most recent consecutive periods of 12 months.

The Letter of Variation was also reviewed and the charge of £800 + VAT in drawing this up was noted. Members were advised that the legal agreement is currently being drawn up and would be presented to Corporation for approval and the Chair of the Corporation to sign.

RESOLVED

The Finance and Resources Committee approves and commends to the Corporation Board for approval the revised Indicative Financial Covenant Terms for East Surrey College for

- 1a Debt Service Cover Covenant
- 2a Operational Leverage Covenant

FRC.33.17 TERMS OF REFERENCE AND STANDING ORDERS OF THE FINANCE AND RESOURCES COMMITTEE: 2017/2018

The Clerk to the Corporation 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 change 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, subject to the amendment noted, the Terms of Reference and Standing Orders of the Finance and Resources Committee: 2017/2018.

FRC.34.17 ANNUAL SCHEDULE OF BUSINESS OF THE FINANCE AND RESOURCES COMMITTEE: 2017/2018

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

Members reviewed the document, which reflected the business conducted during the current year, noting the 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 Annual Schedule of Business of the Finance and Resources Committee: 2017/2018.

FRC.35.17 HUMAN RESOURCES REPORT: SUMMER TERM 2017

The Director of HR and Professional Development presented, for information, the Human Resources Report for the period to September 2016 – May 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 and the majority of staff are up to hours, very few staff are showing as being under hours
- Staff Turnover
 - Following 2015/16 figures recently published, the College turnover remains well under the AoC benchmark
- Attendance Management
 - Staff attendance percentage is above both the College target and AoC average percentage
- Equality and Diversity
 - the monitoring of the profile of staff continues with the aim of closely mirroring, as much as possible, the local and student populations
- Continuous Professional Development (CPD)
 - Completion of online training modules by established staff remains strong
 - Completion of online Prevent training has consistently increased
- SISSC Project
 - The College is separating from the joint system by end of July 2017 and there have been delays with UNIT4 releasing the test system

Members reviewed the HR and CPD KPI dashboards to 31 May 2017.

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 the Human Resources Report: Summer Term 2017

FRC.36.17

MANAGEMENT ACCOUNTS FOR THE PERIOD TO 30 APRIL 2017

The Vice Principal: Finance and Resources presented, for information, the Management Accounts for the period to 30 April 2017 together with the KPI Dashboard for Finance.

Members considered the detail of the accounts, noting:

- The surplus for year to April 2017 is £842k against a profiled budget surplus of £53k
- The significant positive variance of £790k is primarily due to timing differences and is expected to decline in future months
- 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 programme compared to 2015/16
- The cash balance at 30 April 2017 is £5,112k 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.

AGREED

The Finance and Resources Committee receives and notes the Management Accounts for the Period to 30 April 2017 and the KPI Dashboard for Finance

FRC.37.17 HEALTH AND SAFETY REPORT: SUMMER TERM 20167

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

Members noted salient issues raised in the report

- The College Health and Safety Committee met on 7 June 2017 and key points discussed were
 - Ensuring Health and Safety were embedded considerations in the organisation of the summer events
 - Accident statistics
 - Review of work based learning employer data and compliance information
 - Student risk assessment process was reviewed and approved
 - Estates have implemented accident investigation procedures using HSG245 (Health and Safety Guidance 245)
- two RIDDOR reportable incidents occurred this academic year
- a claim for damages has been bought against the College by a student who had an accident caused by a faulty floor box resulting in a claim with the College's insurer. All floor boxes were inspected over the summer half term. The accident was not RIDDOR reportable as the student did not go to the hospital directly
- a termly practice fire evacuation drill for Gatton Point South took place in June and was a success
- a silent evacuation is planned for September as part of the College's emergency response to a non-fire emergency situation

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

AGREED

The Finance and Resources Committee receives and notes the report.

FRC.38.17 SHARED SERVICES IN SUSSEX AND SURREY COLLEGES (SISSC)

The Vice Principal: Finance and Resources gave a verbal update on SISSC.

Members were advised that

- SISSC will cease trading on 31 July 2017 and a letter has been received advising that proceedings are underway to close on 31 October 2017
- There have been delays in rolling out the system with UNIT 4 and costings are still awaited but the test database has now been received at the College
- As the delays have been caused by UNIT 4 any costs incurred will be down to them

AGREED

The Finance and Resources Committee notes the report.

FRC.39.17 ANY OTHER BUSINESS
There was no other business.

FRC.40.17 SCHEDULE OF MEETINGS: 2017/2018
Thursday 21 September 2017
Thursday 23 November 2017
Thursday 1 March 2018
Thursday 28 June 2018

All meetings commence at 18.00

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

SIGNED AS A CORRECT RECORD:

A handwritten signature in black ink, appearing to be 'R. D. Edge', written in a cursive style.

DATE: 21 September 2017

